(28,631)

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1921.

No. 676.

CROWN DIE AND TOOL COMPANY, PETITIONER,

vs.

NYE TOOL AND MACHINE WORKS.

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

INDEX.

	Page.
Record from the United States district court for the northern district of Illinois	1
Placita	1
Bill of complaint	2
Exhibit A—Assignment from Reed Manufacturing Company to Nye Tool & Machine Works	4
Motion to dismiss	6
Decree dismissing bill of complaint	8
Petition for appeal and order allowing same	9
Assignment of errors	10
Bond on appeal	10

JUDD & DETWEILER (INC.), PRINTERS, WASHINGTON, D. C., FEBRUARY 23, 1922.

Page.

Præcipe for transcript of record 12
Clerk's certificate 13
Citation and acknowledgment of service 13
Clerk's certificate 15
Appearance for appellant in circuit court of appeals 16
Request to place cause on calendar 17
Appearance for appellee 17
Order setting case for hearing on April 28, 1921 19
Hearing 19
Opinion, Baker, J 20
Decree 25
Petition for rehearing 26
Order overruling petition 27
Order staying execution of mandate 27
Clerk's certificate 28
Writ of certiorari and return 29

1 Pleas in the District Court of the United States for the Northern District of Illinois, Eastern Division, begun and held at the United States Court Room, in the City of Chicago, in said District and Division, before the Honorable George A. Carpenter, District Judge of the United States for the Northern District of Illinois, on third day of February, in the year of our Lord one thousand nine hundred and twenty-one, being one of the days of the regular December Term of said Court, begun Monday, the twentieth day of December, and of our Independence the 145th year.

Present:

Honorable George A. Carpenter, District Judge.

John J. Bradley, U. S. Marshal.

John H. R. Jamar, Clerk.

10. 2 IN THE DISTRICT COURT OF THE UNITED STATES

For the Northern District of Illinois,

Eastern Division.

Nye Tool and Machine Works
vs.
Crown Die and Tool Company
} In Equity No. 1514

Be It Remembered, That heretofore to-wit: on the 10th day of August, 1920, there was filed in the office of the Clerk of said Court a certain Bill of Complaint, together with Exhibit "A" and Acknowledgment, in words and figures following to-wit:

3 IN THE DISTRICT COURT OF THE UNITED STATES

For the Northern District of Illinois,

Eastern Division.

Nye Tool and Machine Works
vs.
Crown Die and Tool Company
} In Equity No. 1514

To the Judges of the United States District Court Northern District of Illinois, Eastern Division, in Chancery Sitting:

Nye Tool and Machine Works, a corporation duly organized under the laws of the State of Illinois, and having its principal office and place of business at Chicago, Illinois, a citizen of the Northern District of Illinois, brings its Bill of Complaint against the Crown Die and Tool Company, a corporation duly organized under the laws of the State of Illinois, having its principal office and place of business in the City of Chicago, in said District, a citizen of the Northern District of Illinois, and shows:

1. That Ross Pier Wright and Frank W. Howard, before December 29, 1905, were the first, joint and original inventors of a machine for Forming Screw Thread-Cutting devices, and on December 29, 1905, they applied to the Commissioner of Patents, in due form of law, for a United States patent thereon, whereupon such proceedings were had, that on or about July 23, 1912, Letters Patent No. 1,033,142 issued to the

Reed Manufacturing Company, a corporation of the State of Pennsylvania, by virtue of an assignment duly exe-
4 cuted and filed prior to the issue of said Letters Patent, in the name of the United States of America, signed by the Commissioner of Patents, under the seal of the Patent Office, and were recorded, together with their specification, in books kept for the purpose in the Patent Office, whereby the said Reed Manufacturing Company, its successors and assigns, was granted the exclusive right to make, use and vend said invention for seventeen years from June 23, 1912, in the United States and the territories thereof, provert of which Letters Patent is hereby made. The invention of Rose Pier Wright and Frank W. Howard aforesaid was new, useful, not known or used by others in this country before their invention thereof, not patented or described in any printed publication anywhere before their invention thereof, or more than two years before their application, not in public use or on sale in this country for more than two years before their application, not patented in any foreign country by them or their legal representatives on an application filed more than one year before their application in this country, and not abandoned.

2. That your orator became the owner of all claims recoverable in law or in equity, arising out of the infringement by the Crown Die and Tool Company of said Letters Patent No. 1,033,142, and of the right to exclude said Crown Die and Tool Company from practicing the invention of said Letters Patent, by virtue of an assignment in writing duly executed by the Reed Manufacturing Company, prior to the beginning of this suit, a true copy of which said assignment is hereto attached and made a part hereof, marked "Exhibit A," and your orator is now the owner of all of such rights of action and exclusion against the said Crown Die and Tool Company.

3. That the devices of said patent made, used and sold
5 by the Reed Manufacturing Company and your orator have been marked "Patented June 23, 1912," or the packages and containers in which said devices were sold have been marked in the same manner, and specific notice of said patent has been given to said defendant.

4. That the defendant has infringed said patent within six years last past by making, using and selling devices containing the invention of said patent and the claims thereof, since its grant, in the United States; that defendant has been notified of said infringement, and that defendant's said in-

fringement has damaged your orator and resulted in profit to the defendant.

Your orator prays that—

(1) Defendant and defendant's agents and employes be enjoined from further infringement, both permanently and pendente lite;

(2) Defendant account and pay to your orator defendant's profits and your orator's damages and a sum in excess thereof not exceeding three times the actual profits and damages;

(3) Defendant answer this bill (but not under oath, such answer being waived);

(4) Your orator have such further relief as is proper; and

(5) That a subpoena ad respondendum and a writ of injunction (both pendente lite and permanent) issue, directed to the Crown Die and Tool Company.

NYE TOOL AND MACHINE WORKS
By DYRENFORTH, LEE, CHRITTON & WILES,
Its Solicitors

GEORGE A. CHRITTON
RUSSELL WILES
Of Counsel.

6 EXHIBIT A

Whereas, Reed Manufacturing Company, a corporation of Pennsylvania, is the owner of Letters Patent of the United States, No. 1,033,142, for a Machine for Forming Screw-Thread Cutting Devices, granted July 23, 1912, on an application of Wright and Hubbard; and

Whereas, under said patent said Reed Manufacturing Company has the right to exclude others from manufacturing, using and selling the devices of said patent; and

Whereas, it is believed by the parties that Crown Die & Tool Company, a corporation of Illinois, has been manufacturing and using devices in infringement of said patent; and

Whereas, Nye Tool & Machine Works is engaged in the manufacture of dies with which the dies made by said Crown Die & Tool Company, by the use of said infringing machine, are in competition; and

Whereas, Nye Tool & Machine Works is desirous of acquiring from Reed Manufacturing Company all of its rights

of exclusion under said patent, so far as the same may be exercised against the Crown Die & Tool Company, together with all rights of the Reed Manufacturing Company against the Crown Die & Tool Company arising out of the infringement aforesaid;

Now, Therefore, in consideration of one thousand dollars ($1,000.00), and other good and valuable considerations, the receipt of which is hereby acknowledged, the Reed Manufacturing Company hereby assigns and sets over to the Nye Tool & Machine Works all claims recoverable in law or in equity,
whether for damages, profits, savings, or any other kind
7 or description, which the Reed Manufacturing Company
has against the Crown Die & Tool Company arising out of the infringement by the Crown Die & Tool Company of the Wright & Hubbard patent No. 1,033,142; and, for the same consideration, assigns and sets over all the rights which it now has arising from said patent of excluding the Crown Die & Tool Company from the practice of the invention of said patent, the intention being that, in so far as concerns the exclusion of the Crown Die & Tool Company under said patent, the Nye Tool & Machine Works shall be vested with as full rights in the premises as the Reed Manufacturing Company would have had had this assignment not been made; and that the Nye Tool & Machine Works shall have the full right to bring suit on said patent, either at law or in equity against said Crown Die & Tool Company, and for its own benefit, to exclude the Crown Die & Tool Company from practicing the invention of said patent, and for its own use and benefit to collect damages which may arise by reason of the future infringement of said patent by the Crown Die & Tool Company, but nothing herein contained shall in any way affect or alter the rights of the Reed Manufacturing Company against other than the Crown Die & Tool Company; and, for the same consideration, all rights as are herein given against the Crown Tool & Die Company are given as against any successor or assignee of the business thereof.

REED MANUFACTURING COMPANY
By P. D. WRIGHT
Its President

8 State of Pennsylvania } ss.
County of Erie }

Before me this 29th day of July, 1920, appeared P. D. Wright, personally known to me, who on oath stated that he is the President of Reed Manufacturing Company, and that he was authorized by the the Board of Directors of Reed Manufacturing Company to execute the foregoing assignment; that the seal affixed to the assignment is the seal of the corporation, and that he thereupon acknowledged said assignment to be the free act and deed of said Reed Manufacturing Company.

B. M. HARTMAN
(Seal) *Notary Public*

(Endorsed) Filed Aug. 10, 1920 John H. R. Jamar, Clerk.

ss. 9 And on to-wit: the 28th day of August, 1920, there was filed in the office of the clerk of said court a certain motion in words and figures following to-wit:

10 IN THE UNITED STATES DISTRICT COURT

Northern District of Illinois,

Eastern Division.

Nye Tool and Machine Works
vs.
Crown Die and Tool Company } In Equity No. 1514

MOTION TO DISMISS.

Now comes the defendant, Crown Die and Tool Company, by its solicitor and moves the Court to dismiss the Bill of Complaint instituted in the above entitled cause upon grounds and reasons therefor as follows—

1. That the Bill of Complaint states an alleged cause of action arising out of the assumed infringement of a patent in which plaintiff has no title, and prays an injunction, and accounting and damages.

2. That the owner of the entire or any part of the legal title to the patent sued on is not made a party to the suit.

3. That the legal effect of the alleged assignment set up as the basis of this cause of action and forming part of the Bill of Complaint herein is contrary to the statutes covering suits for infringement of patents, and shows on its face that the plaintiff has no interest in the patent sued on.

4. That the Bill of Complaint herein, including the alleged assignment, evidences a conspiracy against this defendant by the parties to the document identified as "Exhibit A," in which the plaintiff and the Reed Mfg. Company assumed the function of the Court in having already decreed that this defendant infringes Patent No. 1,033,142, and now seeks to utilize this Court to annoy and harass the Crown Die and Tool Company by instituting legal proceedings when no right of action exists.

5. That "Exhibit A" attached to the Bill of Complaint in this case purports only to convey to plaintiff all claims recoverable in law or in equity which the Reed Mfg. Co., may have against the Crown Die and Tool Co., over which subject matter this Court has no jurisdiction.

6. Prior suit pending, between the same parties in this Court, decision of which will determine any questions involved in this case.

Therefore this defendant respectfully moves the Court to dismiss said Bill of Complaint with its reasonable costs and charges in its behalf most wrongfully sustained.

CROWN DIE & TOOL CO.,
By FLORENCE KING
Solicitor for Defendant

11 State of Illinois }
County of Cook } ss.

FLORENCE KING, being first duly sworn, deposes and says that she is the Solicitor for Defendant in the above entitled cause, and that she has read the attached motion to dismiss and knows the contents thereof, and that in her judgment the same is meritorious and that it is not brought for purpose of delay.

FLORENCE KING

Subscribed and sworn to before me this 27th day of August 1920.

(Seal) ARTHUR B. RUSSELL
Notary Public

(Endorsed) Filed Aug. 28, 1920 John H. R. Jamar, Clerk.

12 And on to-wit: the 3d day of February, 1921, in the record of proceedings thereof in said entitled cause, appears before the Hon. George A. Carpenter, District Judge, the following entry to-wit:

13 IN THE DISTRICT COURT OF THE UNITED STATES

For the Northern District of Illinois,

Eastern Division.

Nye Tool and Machine Works
vs.
Crown Die and Tool Company
} In Equity No. 1514

Thursday, February 3, A. D. 1921.

Present: Hon. George A. Carpenter, District Judge.

This cause having heretofore come on to be heard upon the motion of the defendant to dismiss the bill of complaint and the Court having considered the matter and being now fully advised in the premises, It is ordered, adjudged and decreed by the Court that said motion to dismiss be and the same is hereby sustained, and the bill of complaint be and the same is hereby dismissed for want of equity at complainant's cost and that the defendant have execution therefor.

14 And on to-wit: the 11th day of Feb. 1921, there was filed in the office of the Clerk of said court a certain Petition for Appeal in words and figures following to-wit:

15 UNITED STATES DISTRICT COURT

Northern District of Illinois

Eastern Division.

Nye Tool and Machine Works
vs.
Crown Die and Tool Company } In Equity No. 1514.

PETITION FOR APPEAL

Nye Tool and Machine Works, plaintiff in the above entitled cause, conceiving itself aggrieved by the final decree entered on the 3d day of February A. D. 1921, by this Honorable Court, appeals from said decree to the United States Circuit Court of Appeals for the Seventh Circuit, for the reasons specified in the Assignment of Errors filed herewith, and plaintiff prays that this appeal may be allowed, and that a citation may be granted, commanding the above named defendant to appear before the United States Circuit Court of Appeals for the Seventh Circuit to do and to receive what may appertain to justice in the premises, and that a transcript of the record, proceedings and papers upon which said decree was made, may be transmitted to said United States Circuit Court of Appeals for the Seventh Circuit.

NYE TOOL AND MACHINE WORKS
By DYRENFORTH, LEE, CHRITTON & WILES
Its Solicitors.

ORDER

The foregoing petition for appeal is allowed this 11th day of February A. D. 1921, and the appeal bond to be given by the Appellant is fixed at the sum of Two hundred fifty ($250.00) Dollars to be approved by the Clerk of this Court

CARPENTER
Judge of the U. S. District Court Northern District of Illinois, Eastern Division.

11th Feb. 1921.

16 And on to-wit: the 11th day of Feb. 1921, came the attorneys and filed in the clerk's office of said court their certain Assignment of Errors in words and figures following to-wit:

17 UNITED STATES DISTRICT COURT
Northern District of Illinois
Eastern Division.

Nye Tool and Machine Works
vs.
Crown Die and Tool Company
} In Equity No. 1514.

ASSIGNMENT OF ERRORS

Now come the Nye Tool and Machine Works, plaintiff, by its solicitors and having prayed an appeal from the decree entered in this cause on the 3d day of February A. D., 1921, respectfully shows that said decree is erroneous and should be reversed and set aside for the following reasons:

1. That the Court erred in dismissing the Bill for want of equity.

2. That the Court erred in not overruling the motion of the defendant to dismiss and in not ordering the case to stand for trial.

Wherefore, Nye Tool and Machine Works, Plaintiff, prays that said decree may be reversed.

Dated February 3, 1921.

DYRENFORTH, LEE, CHRITTON & WILES
Solicitors for Plaintiff

(Endorsed) Filed Feb 11, 1921 John H. R. Jamar, Clerk.

18 And on to-wit: the 16th day of Feb. 1921, there was filed in the office of the Clerk of said Court a certain Bond on Appeal in words and figures following to-wit:

19 Know All Men By These Presents, That we, Nye Tool and Machine Works, as principal, and Fidelity and Deposit Company of Maryland, as sureties, are held and firmly bound unto Crown Tie and Tool Company in the full and just sum of Two hundred fifty ($250.00) Dollars to be paid to the said Crown Die and Tool Company attorneys, executors, administrators, or assigns; to which payment, well and truly to be made, we bind ourselves, our heirs, executors and administrators, jointly and severally, firmly by these presents. Sealed with our seals and dated this 12th day of February

in the year of our Lord one thousand nine hundred and twenty one.

Whereas, lately at a session of the District Court of the United States for the Northern District of Illinois, Eastern Division, held at Chicago, Illinois, in a suit pending in said Court, between Nye Tool and Machine Works is plaintiff, Crown Die and Tool Company is defendant a decree was rendered against the said Nye Tool and Machine Works and the said Nye Tool and Machine Works having obtained from said Court an order allowing an appeal to the United States Circuit Court of Appeals for the Seventh Circuit, and filed a copy thereof in the Clerk's Office of the said Court to reverse the decree of the aforesaid suit, and a citation directed to the said Crown Die and Tool Company citing and admonishing it to be and appear at the United States Circuit Court of Appeals for the Seventh Circuit, to be holden at Chicago within thirty days from the date hereof.

Now, The Condition Of The Above Obligation Is Such, that if the said Nye Tool and Machine Works shall prosecute its said appeal to effect, and shall answer all damages and costs that may be awarded against it if it fail to make its plea good, then the above obligation to be void; otherwise to remain in full force and virtue.

NYE TOOL & MACHINE WORKS
By N. P. NYE
Vice Pres. (Seal)

FIDELITY AND DEPOSIT COMPANY OF MARYLAND
By WALTER FABODAY
Agent and Attorney in Fact (Seal)

Sealed and delivered in presence of—

.....

.....

.....

Approved by—

CARPENTER
Judge

16th Feb. 1921.

Approved by

FLORENCE KING
Attorney for Crown Die & Tool Co.

(Endorsed) Equity No. 1514 United States District Court Northern District of Illinois Eastern Division Nye Tool and Machine Works vs. Crown Die and Tool Company Bond on Appeal Filed Feb 16, 1921 at ..... o'clock .....M John H. R. Jamar Clerk

22 UNITED STATES DISTRICT COURT

Northern District of Illinois

Eastern Division.

Nye Tool and Machine Works,
vs.
Crown Die and Tool Company. } In Equity No. 1514

PRAECIPE

To Hon. John H. R. Jamar, Clerk of Said Court:

You will please prepare a transcript of the record in this cause to be filed at the office of the clerk of the United States Circuit Court of Appeals for the Seventh Judicial Circuit under the appeal heretofore perfected to said Court, and you will include in said transcript the following:

1. A copy of the Bill of Complaint, including a copy of Exhibit "A" attached thereto together with the acknowledgement by P. D. Wright, as President of the Reed Manufacturing Company.
2. A copy of defendant, Crown Die and Tool Company's Motion to dismiss the bill.
3. A copy of the decree entered by His Honor Judge Carpenter in this cause on the 3d day of February A. D., 1921.
4. A copy of the Petition for Appeal.
5. A copy of the Assignment of Errors.
6. A copy of the Cost Bond on Appeal.
7. A copy of the Order allowing the Appeal.
8. A copy of the Citation to defendant.
9. A copy of this Praecipe;

said transcript to be prepared as required by law and the rules of this Court, and the Rules of the United States Circuit Court of Appeals for the Seventh Judicial Circuit.

DYRENFORTH LEE CHRITTON & WILES
Plaintiff's Solicitors

Service of a copy of the above Praecipe is acknowledged this _____ day of February A. D., 1921.

FLORENCE KING
Defendant's Solicitor.

(Endorsed) Filed Feb. 11, 1921 John H. R. Jamar, Clerk.

23 Northern District of Illinois } ss.
Eastern Division }

I, John H. R. Jamar, Clerk of the District Court of the United States for the Northern District of Illinois, do hereby certify the above and foregoing to be a true and complete transcript of the proceedings had of record made in accordance with Praecipe filed in this Court in the cause entitled Nye Tool and Machine Works vs. Crown Die and Tool Company, as the same appear from the original records and files thereof, now remaining in my custody and control.

In Testimony Whereof, I have hereunto set my hand and affixed the seal of said Court at my office, in the City of Chicago, in said District, this 1st day of March A. D. 1921.

JOHN H. R. JAMAR,
Clerk.

(Seal)

20 And on to-wit: the 11th day of February, 1921, there was filed in the office of the Clerk of said court a certain Citation in words and figures following to-wit:

21 United States } ss.
of America, }

The President of the United States, To Crown Die and Tool Company, Greeting:

You are hereby notified that in a certain case in equity, and being equity No. 1514, in the United States District Court, in and for the Northern District of Illinois, Eastern Division, wherein Nye Tool and Machine Works is complainant and the Crown Die and Tool Company is defendant, an appeal has been allowed the plaintiff therein to the Circuit Court of Appeals for the Seventh Judicial Circuit.

You are hereby cited and admonished to be and appear at a United States Circuit Court of Appeals, for the Seventh Circuit, to be holden at Chicago, within thirty days from the date hereof, pursuant to an order granting an appeal filed in the Clerk's Office of the District Court of the United States for the Northern District of Illinois, Eastern Division, wherein Nye Tool and Machine Works as aforesaid is complainant and you are defendant to show cause, if any there be, why the decree rendered against the said Nye Tool and Ma-

chine Works as in the said writ of error mentioned, should not be corrected and why speedy justice should not be done to the parties in that behalf.

Witness the Honorable George A. Carpenter Judge of the District Court of the United States, this 11th day of February, in the year of our Lord one thousand nine hundred and twenty-one.

GEORGE A. CARPENTER
Judge of the District Court of the United States, in and for the Northern District of Illinois, Eastern Division.

Service of citation accepted this 11th day of February 1921.

FLORENCE KING
Solr. for Defendant.

(Endorsed) No. 1514 District Court of the United States Northern District of Illinois Eastern Division Nye Tool and Machine Works vs. Crown Die and Tool Co. Citation Filed Feby 11, 1921, at ..... o'clock .....M John H. R. Jamar Clerk Dyrenforth, Lee, Chritton & Wiles.

UNITED STATES CIRCUIT COURT OF APPEALS

FOR THE SEVENTH CIRCUIT.

I, Edward M. Holloway, Clerk of the United States Circuit Court of Appeals for the Seventh Circuit, do hereby certify that the foregoing printed pages, numbered from 1 to 14, inclusive, contain a true copy of the printed record, printed under my supervision and filed on the fourth day of March, 1921, on which this cause was heard and determined in the case of

NYE TOOL AND MACHINE WORKS
vs.
CROWN DIE & TOOL COMPANY

No. 2942, October Term, 1921, as the same remains upon the files and records of the United States Circuit Court of Appeals, for the Seventh Circuit.

In testimony whereof I hereunto subscribe my name and affix the seal of said United States Circuit [SEAL.] Court of Appeals for the Seventh Circuit, at the City of Chicago, this first day of December, A. D. 1921.

EDWARD M. HOLLOWAY,
Clerk of the United States Circuit Court of Appeals for the Seventh Circuit.

At a regular term of the United States Circuit Court of Appeals for the Seventh Circuit, begun and held in the United States Court room, in the city of Chicago, in said Seventh Circuit on the fifth day of October, 1920, of the October term in the year of our Lord one thousand nine hundred and twenty and of our Independence the one hundred and forty-fifth.

And afterwards, to-wit: On the third day of March, 1921, in the October term aforesaid, came the appellant, by its counsel, Mr. W. H. Dyrenforth, Mr. Russell Wiles and Mr. George A. Chritton, and filed in the office of the clerk of this court their appearance, which said appearance is in the words and figures following, to-wit:

UNITED STATES CIRCUIT COURT OF APPEALS

FOR THE SEVENTH CIRCUIT.

No. 2942. October Term, 1920.

Nye Tool and Machine Works,
Appellant,

vs.

Crown Die and Tool Company,
Appellee.

The Clerk will enter our appearance as counsel for the Appellant.

W. H. DYRENFORTH,
RUSSELL WILES,
GEORGE A. CHRITTON.

DYRENFORTH, LEE, CHRITTON & WILES,
Solicitors for Appellant.

Endorsed: Filed Mar. 3, 1921. EDWARD M. HOLLOWAY, Clerk.

And afterwards, to-wit: On the fourth day of March, 1921, in the October term aforesaid, there was filed in the office of the clerk of this court a certain Request to Clerk to place cause on Calendar, which said Request is in the words and figures following, to-wit:

IN THE

UNITED STATES CIRCUIT COURT OF APPEALS

Nye Tool & Machine Works,
Appellant,
vs.
Crown Die & Tool Company,
Appellee.
} No. 2942.

To Hon. E. M. Holloway,
Clerk of said Court:

You are hereby respectfully requested to place the above entitled cause upon the printed calendar of cases to be called at the April Session of this court.

The printed record and the briefs of appellant have already been filed; the brief of appellee will be printed and filed on or before the time when the court will call the printed calendar on the second Tuesday in April, for the purpose of setting the cases for argument, and the appellant's reply brief, if any, will be duly filed on or before the date of argument.

Chicago, March 4, 1921.

George A. Chritton,
Counsel for Appellant.
Florence King,
Counsel for Appellee.

Endorsed: Filed Mar. 4, 1921. Edward M. Holloway,
Clerk.

And afterwards, to-wit: On the seventh day of March, 1921, in the October term aforesaid, came the appellee, by its counsel, Miss Florence King, and filed in the office of the clerk of this court her appearance, which said appearance is in the words and figures following, to-wit:

UNITED STATES CIRCUIT COURT OF APPEALS

FOR THE SEVENTH CIRCUIT.

No. 2942. October Term, 1920.

Nye Tool and Machine Works,
Appellant,

vs.

Crown Die and Tool Company,
Appellee.

The clerk will enter my appearance as counsel for the Appellee.

FLORENCE KING.

Endorsed: Filed Mar. 7, 1921. EDWARD M. HOLLOWAY, Clerk.

And afterwards, to-wit: On the twenty-sixth day of April, 1921, in the October term aforesaid, the following further proceedings were had and entered of record, to-wit:

Tuesday, April 26, 1921.

Court met pursuant to adjournment and was opened by proclamation of crier.

Present:

Hon. Francis E. Baker, Circuit Judge, presiding.
Hon. Samuel Alschuler, Circuit Judge.
Hon. Evan A. Evans, Circuit Judge.
Hon. George T. Page, Circuit Judge.
Edward M. Holloway, Clerk.
John J. Bradley, Marshal.

Before:

Hon. Francis E. Baker, Circuit Judge.
Hon. Evan A. Evans, Circuit Judge.
Hon. George T. Page, Circuit Judge.

Nye Tool and Machine Works
2942 *vs.*
Crown Die & Tool Company.

Appeal from the District Court of the United States for the Northern District of Illinois, Eastern Division.

It is ordered by the court that this cause be, and the same is hereby set down for hearing on April 28, 1921.

And afterwards, to-wit: On the twenty-eighth day of April, 1921, in the October term aforesaid, the following further proceedings were had and entered of record, to-wit:

Thursday, April 28, 1921.

Court met pursuant to adjournment and was opened by proclamation of crier.

Present:

Hon. Francis E. Baker, Circuit Judge, presiding.
Hon. Samuel Alschuler, Circuit Judge.
Hon. Evan A. Evans, Circuit Judge.
Hon. George T. Page, Circuit Judge.
Edward M. Holloway, Clerk.
John J. Bradley, Marshal.

Before:

Hon. Francis E. Baker, Circuit Judge.
Hon. Evan A. Evans, Circuit Judge.
Hon. George T. Page, Circuit Judge.

Nye Tool and Machine Works
2942 *vs.*
Crown Die & Tool Company.

Appeal from the District Court of the United States for the Northern District of Illinois, Eastern Division.

Now this day come the parties by their counsel and this cause now comes on to be heard on the printed record and briefs of counsel and on oral arguments by Mr. Russell Wiles, counsel for appellant, and by Miss Florence King, counsel for appellee, and the court having heard the same takes this matter under advisement.

And afterwards, to-wit: On the twenty-fourth day of June, 1921, in the October term aforesaid, there was filed in the office of the clerk of this court the Opinion of the court, which said Opinion is in the words and figures following, to-wit:

IN THE

UNITED STATES CIRCUIT COURT OF APPEALS

FOR THE SEVENTH CIRCUIT.

No. 2942. OCTOBER TERM, 1920, APRIL SESSION, 1921.

Nye Tool and Machine Works, *Appellant,*
vs.
Crown Die and Tool Co. *Appellee.*

Error to the District Court of the United States for the Northern District of Illinois, Eastern Division.

Before BAKER, EVANS and PAGE, *Circuit Judges.*

This is an appeal from a decree dismissing on appellee's motion appellant's bill for alleged infringement of patent No. 1,033,142, July 23, 1912, to Reed Mfg. Co., assignee of the inventors Wright and Howard, for a machine for forming screw thread-cutting devices.

In the bill, commendable for its brevity and directness, appellant alleged: 1, that Wright and Howard made the invention and filed their application, on which the patent was issued to Reed Mfg. Co.; 2, that Reed Mfg. Co., owner of the patent, "prior to the beginning of this suit," by a duly executed assignment in writing (attached to the bill as "Exhibit A") transferred to appellant the right to exclude appellee from practicing the invention and the right to recover all claims in law or in equity arising out of appellee's infringement of the patent; 3, that the devices of the patent, made by Reed Mfg. Co. and by appellant, have been duly marked "Patented, July 23, 1912"; 4, that appellee has infringed the patent within the six years last past by making, using and selling devices containing the inventions claimed therein, that appellee had been notified of the infringement, and that the infringement has damaged appellant and profited appellee; and prayed for an injunction and an accounting of appellee's profits and appellant's damages.

"Exhibit A" is as follows:

"Whereas, Reed Manufacturing Company, a cor-

poration of Pennsylvania, is the owner of Letters Patent of the United States, No. 1,033,142, for a Machine for Forming Screw-Thread Cutting Devices, granted July 23, 1912, on an application of Wright and Howard; and

Whereas, under said patent said Reed Manufacturing Company has the right to exclude others from manufacturing, using and selling the devices of said patent; and

Whereas, it is believed by the parties that Crown Die & Tool Company, a corporation of Illinois, has been manufacturing and using devices in infringement of said patent; and

Whereas, Nye Tool & Machine Works is engaged in the manufacture of dies with which the dies made by said Crown Die & Tool Company, by the use of said infringing machine, are in competition; and

Whereas, Nye Tool & Machine Works is desirous of acquiring from Reed Manufacturing Company all of its rights of exclusion under said patent, so far as the same may be exercised against the Crown Die & Tool Company, together with all rights of the Reed Manufacturing Company against the Crown Die & Tool Company arising out of the infringement aforesaid;

Now, Therefore, in consideration of one thousand dollars ($1,000.00), and other good and valuable considerations, the receipt of which is hereby acknowledged, the Reed Manufacturing Company hereby assigns and sets over to the Nye Tool & Machine Works all claims recoverable in law or in equity, whether for damages, profits, savings, or any other kind or description, which the Reed Manufacturing Company has against the Crown Die & Tool Company arising out of the infringement by the Crown Die & Tool Company of the Wright & Hubbard patent No. 1,033,142; and, for the same consideration, assigns and sets over all the rights which it now has arising from said patent of excluding the Crown Die & Tool Company from the practice of the invention of said patent, the intention being that, in so far as concerns the exclusion of the Crown Die & Tool Company under said patent, the Nye Tool & Machine Works shall be vested with as full rights in the premises as the Reed

Manufacturing Company would have had had this assignment not been made; and that the Nye Tool & Machine Works shall have the full right to bring suit on said patent, either at law or in equity against said Crown Die & Tool Company, and for its own benefit, to exclude the Crown Die & Tool Company from practicing the invention of said patent, and for its own use and benefit to collect damages which may arise by reason of the future infringement of said patent by the Crown Die & Tool Company, but nothing herein contained shall in any way affect or alter the rights of the Reed Manufacturing Company against other than the Crown Die & Tool Company; and, for the same consideration, all rights as are herein given against the Crown Die & Tool Company are given as against any successor or assignee of the business thereof."

Appellee's motion to dismiss the bill for want of equity apparent on its face, in addition to challenging appellant's title and right to sue, suggests laches, conspiracy, and pendency of a prior suit, and also denies jurisdiction in equity over damages "recoverable at law."

BAKER, *Circuit Judge,* after making the foregoing statement, delivered the opinion of the court:

Nothing of laches, conspiracy or pendency of a prior suit is stated in the bill. If such matters exist, they must be brought into the record by appellee's answer. In the statement of the case we have synopsized the bill in order to show that a good cause of action in equity is pleaded unless there is a lack in appellant's right to sue or in the trial court's equitable jurisdiction.

An inventor is not compelled by law to apply for and take out a patent. If he has produced a new composition of matter of such a nature that the ingredients and the process are safe from discovery by others either by observing his use of his invention or by independent investigation and experiment, he would have a much more enduring monopoly by refusing to make the "full disclosure" that our patent statute invites. Such is his natural or common law right. It is only when he fears discovery and resultant injury from the exercise by

others of their natural or common law right to copy his unpatented invention that he seeks the patent solicitor. So it is clear to a demonstration that the natural or common law right and the statutory right are separate and independent. Neither impinges upon the other. Whether an inventor exercises or refuses to exercise his natural or common law right has nothing to do with his assertion of his statutory right, which consists exclusively of his power, through the courts, to restrain others from practicing his invention and to call them to account for having done so in defiance of his monopoly. This view of our patent system is not a present invention, for long ago it was fully disclosed and distinctly claimed in open letters to the public. *Bloomer* v. *McQuewan,* 14 How. 539; *Patterson* v. *Kentucky,* 97 U. S. 501; *Fuller* v. *Berger,* 120 Fed. 274; *Continental Paper Bag Co.* v. *Eastern Paper Bag Co.,* 210 U. S. 405.

Appellee's argument that a monopoly of this character is contrary to public policy is somewhat belated in view of the Constitution and acts of Congress.

Congress, having full constitutional power over the subject, could have provided that a patent should be non-assignable, or, if assignable, that it should be assigned only as an entirety. But Sec. 4898 R. S. says that "any patent, or any interest therein, shall be assignable in law by an instrument in writing." It would be hard to find broader or clearer words than "any interest therein" with which to clothe the owner of a patent with the right to subdivide and deed or lease his property as he pleased.

As "the right to exclude" is the only property involved, and as that property is made divisible and assignable at the will of the owner, and as the owner had duly assigned to appellant the whole of the right to exclude appellee, it is difficult to understand why appellee should feel concerned about appellant's lack of right to exclude strangers to this suit. If appellant had the right to exclude all the strangers in the world, appellee might as well contend that appellant, having good and complete title to the patentee's right to exclude appellee, should not be permitted to enforce the right because appellant was ignoring all other trespassers and was picking out appellee alone.

Jurisdiction in equity to enjoin trespasses upon property is unquestionable. When that equitable jurisdic-

tion is invoked, the chancellor will hear and determine in the same suit the matter of damages that accrued from the trespasses during the plaintiff's ownership of the property and within the period of limitations. If such damages alone were sought, the action would be at law; but because such damages grew out of the ownership that is to be vindicated by the injunction, the demand therefor, although legal in its nature, is treated as a proper appendage of the bill in equity. Appellant's bill alleges that it acquired ownership of the right to exclude appellee "prior to the beginning of this suit," but without stating the date either in the body of the bill or in the exhibit. Appellee's alleged infringement covered six years prior to the filing of the bill. Some of that period may antedate appellant's ownership. Reed Mfg. Co. included in its assignment of an interest in the patent to appellant an assignment of its claims for damages during its exclusive ownership. Damages that are incidental to appellant's ownership are properly included in the bill. But if appellant desires to recover on the assignment of Reed Mfg. Co.'s right of action at law for the damages suffered by that company, it should proceed at law upon that separate legal cause of action.

The decree is reversed for further proceedings in consonance with this opinion.

A true Copy.

Teste:

.....

Clerk of the United States Circuit Court of Appeals for the Seventh Circuit.

And afterwards, on the same day, to-wit: On the twenty-fourth day of June, 1921, in the October term aforesaid, the following further proceedings were had and entered of record, to-wit:

Friday, June 24, 1921.

Court met pursuant to adjournment.

Present:

Hon. Francis E. Baker, Circuit Judge, presiding.
Hon. Samuel Alschuler, Circuit Judge.
Hon. George T. Page, Circuit Judge.
Edward M. Holloway, Clerk.

Before:

Hon. Francis E. Baker, Circuit Judge.
Hon. Evan A. Evans, Circuit Judge.
Hon. George T. Page, Circuit Judge.

Nye Tool and Machine Works
2942 *vs.*
Crown Die & Tool Company.

Appeal from the District Court of the United States for the Northern District of Illinois, Eastern Division.

This cause came on to be heard on the transcript of the record from the District Court of the United States for the Northern District of Illinois, Eastern Division, and was argued by counsel.

On consideration whereof, It is now here ordered, adjudged and decreed by this court that the decree of the said District Court in this cause be, and the same is hereby reversed with costs; and that this cause be, and the same is hereby remanded to the said District Court for further proceedings in consonance with the opinion of this court.

And afterwards, to-wit: On the first day of October, 1921, in the October term aforesaid, there was filed in the office of the clerk of this court a certain Petition for Rehearing, which said Petition for Rehearing is not copied here nor made a part of this record.

At a regular term of the United States Circuit Court of Appeals for the Seventh Circuit, begun and held in the United States Court room, in the city of Chicago, in said Seventh Circuit on the fourth day of October, 1921, of the October term in the year of our Lord one thousand nine hundred and twenty-one and of our Independence the one hundred and forty-sixth.

And afterwards, to-wit: On the twenty-seventh day of October, 1921, in the October term last aforesaid, the following further proceedings were had and entered of record, to-wit:

Thursday, October 27, 1921.

Court met pursuant to adjournment and was opened by proclamation of crier.

Present:

Hon. Francis E. Baker, Circuit Judge, presiding.
Hon. Samuel Alschuler, Circuit Judge.
Hon. Evan A. Evans, Circuit Judge.
Edward M. Holloway, Clerk.
John J. Bradley, Marshal.

Before:

Hon. Francis E. Baker, Circuit Judge.
Hon. Evan A. Evans, Circuit Judge.
Hon. George T. Page, Circuit Judge.

Nye Tool and Machine Works
2942 *vs.*
Crown Die & Tool Company.

Appeal from the District Court of the United States for the Northern District of Illinois, Eastern Division.

It is ordered by the court that the petition for a rehearing in this cause be, and the same is hereby overruled.

And afterwards, to-wit: On the third day of November, 1921, in the October term last aforesaid, the following further proceedings were had and entered of record, to-wit:

Thursday, November 3, 1921.

Court met pursuant to adjournment and was opened by proclamation of crier.

Present:

Hon. Francis E. Baker, Circuit Judge, presiding.
Hon. Samuel Alschuler, Circuit Judge.
Hon. Evan A. Evans, Circuit Judge.
Hon. George T. Page, Circuit Judge.
Edward M. Holloway, Clerk.
John J. Bradley, Marshal.

Before:

Hon. Francis E. Baker, Circuit Judge.
Hon. Samuel Alschuler, Circuit Judge.
Hon. Evan A. Evans, Circuit Judge.

Nye Tool and Machine Works
2942 *vs.*
Crown Die & Tool Company.

Appeal from the District Court of the United States for the Northern District of Illinois, Eastern Division.

On motion of Miss Florence King, counsel for appellee, it is now here ordered that the mandate in this cause be, and is hereby recalled and stayed until the further order of this court.

UNITED STATES CIRCUIT COURT OF APPEALS

FOR THE SEVENTH CIRCUIT.

I, EDWARD M. HOLLOWAY, Clerk of the United States Circuit Court of Appeals for the Seventh Circuit, do hereby certify that the foregoing typewritten and printed pages, numbered from 1 to 12, inclusive, contain a true copy of the proceedings had and papers filed (except the briefs of counsel and the Petition for a Rehearing) in the case of

NYE TOOL AND MACHINE WORKS
vs.
CROWN DIE & TOOL COMPANY

No. 2942, October Term, 1921, as the same remains upon the files and records of the United States Circuit Court of Appeals, for the Seventh Circuit.

In testimony whereof I hereunto subscribe my name and affix the seal of said United States Circuit Court of Appeals for the Seventh Circuit, at the City of Chicago, this first day of December, A. D. 1921.

[SEAL.]

EDWARD M. HOLLOWAY,
Clerk of the United States Circuit Court of Appeals for the Seventh Circuit.

UNITED STATES OF AMERICA, *ss:*

[Seal of the Supreme Court of the United States.]

The President of the United States of America to the Honorable the Judges of the United States Circuit Court of Appeals for the Seventh Circuit, Greeting:

Being informed that there is now pending before you a suit in which Nye Tool and Machine Works is appellant, and Crown Die & Tool Company is appellee, No. 2942, which suit was removed into the said Circuit Court of Appeals by virtue of an appeal from the District Court of the United States for the Northern District of Illinois, and we, being willing for certain reasons that the said cause and the record and proceedings therein should be certified by the said Circuit Court of Appeals and removed into the Supreme Court of the United States, do hereby command you that you send without delay to the said Supreme Court, as aforesaid, the record and proceedings in said cause, so that the said Supreme Court may act thereon as of right and according to law ought to be done.

Witness the Honorable William H. Taft, Chief Justice of the United States, the twenty-first day of January, in the year of our Lord one thousand nine hundred and twenty-two.

WM. R. STANSBURY,
Clerk of the Supreme Court of the United States.

In the Supreme Court of the United States, October Term, A. D. 1921.

#676.

CROWN DIE AND TOOL CO., Petitioner,

vs.

NYE TOOL AND MACHINE WORKS, Respondent.

Stipulation.

It is hereby stipulated by and between counsel for the parties to the above entitled cause that the certified copy of the transcript of record heretofore filed in the Supreme Court of the United States with the petition for Writ of Certiorari shall constitute the return of the clerk of the United States Circuit Court of Appeals for the Seventh Circuit to the writ of certiorari granted therein.

FLORENCE KING,
Counsel for Petitioner.
GEORGE A. CHRITTON,
Counsel for Respondent.

Chicago, Ill., Jan. 25, 1922.

Endorsed: Filed Jan. 26, 1922. Edward M. Holloway, Clerk.

UNITED STATES OF AMERICA,
Seventh Circuit, ss:

In obedience to the command of the foregoing writ of certiorari and in pursuance of the stipulation of the parties, a full copy of which appears above, I do hereby certify and return that the transcript of the record filed with the application to the Supreme Court of the United States for a writ of certiorari in the case of Nye Tool & Machine Works, appellant, vs. Crown Dye & Tool Company, appellee, is a full, true and complete transcript of the record upon which said cause was heard in the United States Circuit Court of Appeals for the Seventh Circuit, together with all proceedings in said court.

In testimony whereof, I hereunto subscribe my name and affix the seal of said United States Circuit Court of Appeals for the Seventh Circuit, at the city of Chicago, this thirtieth day of January, A. D. 1922.

[Seal of the United States Circuit Court of Appeals, Seventh Circuit.]

EDWARD M. HOLLOWAY,
Clerk of the United States Circuit Court of Appeals for the Seventh Circuit.

[Endorsed:] File No. 28,631. Supreme Court of the United States, October Term, 1921. No. 676. Crown Die & Tool Company vs. Nye Tool and Machine Works. Writ of Certiorari. Filed Jan. 26, 1922. Edward M. Holloway, Clerk.

[Endorsed:] File No. 28,631. Supreme Court U. S., October Term, 1921. Term No. 676. Crown Dye & Tool Co., Petitioner, vs. Nye Tool & Machine Works. Writ of Certiorari and return. Filed Feb. 1, 1922.

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, A. D. 1921.

CROWN DIE and TOOL CO.,
Petitioner,

VS.

NYE TOOL and MACHINE WORKS,
Respondent.

PETITION FOR A WRIT OF CERTIORARI.

To the Honorable, the Supreme Court of the United States:

Your petitioner, The Crown Die & Tool Company, respectfully petitions this Honorable Court that a writ of certiorari may be granted, directing the Circuit Court of Appeals for the Seventh Circuit to certify to this Honorable Court, for its review and determination, the case of *Nye Tool and Machine Works, Appellant,* v. *Crown Die and Tool Company, Appellee,* and for reasons therefor respectfully shows to this Honorable Court as follows:

Statement of Facts.

Two issues are involved in this case:

Issues herein involve construction of Federal Statutes.

1. That the complainant herein does not have legal title to the patent involved, and therefore, under Sec. 4919, Revised Statutes of the U. S., cannot maintain a suit for infringement.

2. That the Federal Court does not have jurisdiction.

Your petitioner is a corporation, duly organized and existing under and by virtue of the laws of the State of Illinois, having its place of business at Chicago, Cook County, Illinois; that the Nye Tool and Machine Works is likewise a corporation of Illinois, having its place of business in Chicago, Cook County, Illinois.

Both parties to suit domiciled in Illinois.

2. That the said Nye Tool and Machine Works filed its complaint against your petitioner, in the District Court of the United States, in the Northern District of Illinois, Eastern Division, about August 10th, 1920, alleging infringement of letters patent No. 1,033,142, owned by Reed Mfg. Company, Machine for Forming Screw Thread Cutting Devices; complainants alleged right to bring said suit having been acquired by a certain contract in writing, set forth in the Transcript of Record, pp. 4 and 5.

Suit filed by Nye Tool & Mach. Works.

That in due order of pleading therein, your petitioner filed a motion to dismiss said bill of complaint (Trans. of Rec., pp. 6 and 7) and gave notice in writing to the complainant in compliance with the statutes.

Motion by defendant to dismiss.

3. That said motion to dismiss came on for hearing in the District Court aforesaid, and upon the 3rd day of February, 1921, a decree was entered, dismissing the bill of complaint for want of equity.

Bill dismissed by District Court.

Complainant appealed to the United States Circuit Court of Appeals on February 11th, 1921, and notice

was duly served upon the attorney for appellees, together with citation, whereby said case was brought before said Circuit Court of Appeals for the Seventh Circuit for review and determination. A certified Transcript of the Record of the District Court was filed in the Circuit Court of Appeals, and the case was entered, docketed and entitled *Nye Tool and Machine Works, Appellant* v. *Crown Die and Tool Company, Appellee,* No. 2942.

Complainant appealed C. C. A.

A certified printed copy of the entire record of the case in the Circuit Court of Appeals is hereby furnished, in conformity with Rule 37 of this Honorable Court, relative to cases from Circuit Courts of Appeal, and the same is referred to, identified herewith, and made a part of this petition. The aforesaid certified printed copy contains all of the proceedings had before the District Court and the Circuit Court of Appeals in said case. The assignment of errors filed by attorneys for the Nye Tool and Machine Works are shown and exhibited in the printed Transcript of Record, page 10, and are hereby referred to and made part of this petition and application.

Record in C. C. A.

4. The case came on to be heard in the said Circuit Court of Appeals before the Honorable Circuit Court Judges Baker, Evans and Page. On June 24, 1921, Judge Baker delivered the opinion of the Circuit Court of Appeals, reversing the decree of the District Court; that said Circuit Court of Appeals filed its opinion in writing, the closing paragraph of which contained an order that the decree of the District Court be reversed; said opinion and decision are contained in the printed record of the said Circuit Court of Appeals, on pages 20-24, inclusive, and the same is hereby referred to and made a part of this petition.

Decree of District Court reversed.

Shortly thereafter your petitioner filed a petition for rehearing; on October 27th, 1921, said petition was de-

Rehearing denied.

nied by the said Circuit Court of Appeals for the Seventh Circuit, but the filing of the mandate in said case has been stayed for your petitioner to file this, its petition for a writ of certiorari.

5. Your petitioner is advised, and so believes, that the said judgment and finding of the said Circuit Court of Appeals in reversing the judgment and decree of the District Court is erroneous; is in violation of the Constitution of the United States; entirely without legal justification; contrary to the Revised Statutes respecting jurisdiction of the Federal Courts in patent cases, and opposed to all the rules, decisions and principles of law previously established by this court; and that this Honorable Court should require the said case to be certified to it for its review and determination under and in accordance with the Sixth Section of the Act of Congress, entitled "An Act to establish Circuit Courts of Appeal . . . and for other purposes, approved March 3rd, 1891."

tition for rit of certiari and asons erefor.

The grounds and gravamen of and for this petition for a writ of certiorari are as follows:

First: Your petitioner respectfully submits that this petition for writ of certiorari should be allowed because this is not a suit arising under the patent laws necessary to give jurisdiction to the Federal Court, all parties to the suit being residents of the same state.

Section 629 of the Revised Statutes of the United States provides that:

v. Stat., c. 629.

> "The Circuit Courts shall have original jurisdiction, as follows: . . . *Ninth.* Of all suits at law or in equity arising under the patent or copyright laws of the United States."

This is a suit brought by the respondent against your petitioner, both domiciled in Chicago, Illinois, upon a

contract made by the respondent with the owner of a patent, to recover alleged profits and damages only. The respondent owns no interest in the patent, either by grant or license, and has no right in the monopoly granted (under R. S. Sec. 4884) to the owner of the patent to make, use or vend the invention in any part of the United States.

Not a case arising under the patent laws.

The bill of complaint, filed by the respondent in this case (Trans. of Rec., pp. 2-4) recites the application for and the granting of patent No. 1,033,142 to the Reed Mfg. Co., which company undertook to convey to the respondent the right to sue for and collect any damages or profits which have arisen or may arise by reason of the alleged infringement of said patent by your petitioner.

The written contract is set forth in full in the Transcript of Record (pp. 3-4), identified as "Exhibit A," and represents all that the respondent in this case can claim under the patent in suit. This alleged transfer of an "interest" in the patent is clearly not an undivided part of the entire patent, nor an undivided part of the entire interest of the patent for a specified territory. Respondent therefore having less than the legal title to the entire patent, or an undivided part in the entire interest in a specified territory, has no right either to make, use or vend the patented machine, and cannot legally maintain a suit under the Federal laws for infringement of the patent. If, in determining the issues in this case, questions of infringement or validity of the patent in suit should arise, they are ancillary to respondent's right of action, which is limited to the collection of the alleged unproven claims for damages and profits only. The Federal Court therefore has no jurisdiction of the subject-matter.

This is a suit upon contract.

Federal court has jurisdiction of subject matter.

Second: Your petitioner further submits that this petition for writ of certiorari should be allowed, because

sues in-
lve con-
ruction of
nstitution
d Feder-
Statutes.

this case involves the construction and interpretation of the Constitution of the United States and of the Federal Statutes, the issues depending, for a full determination of the rights of the parties to the suit, upon the construction and interpretation of Article 1, Sec. 8, Constitution of the United States, and of Sections 629, 4884, 4919 and 4898 of the Revised Statutes of the United States.

nstitu-
on, Art. 1,
c. 8.

The Constitution of the United States, Art. 1, Sec. 8, provides that:

> "The Congress shall have power to promote the progress of science and useful arts by securing for limited times to authors and inventors, the *exclusive right* to their respective writings and discoveries."

ntract vio-
es the
nstitu-
n and cre-
es a new
nopoly
posed to
e purpose
the Con-
tution.

The spirit and purpose of this section of the Constitution has always been interpreted to stimulate the making of inventions designed to be used for public benefit, and not for the purpose of enabling the inventor or owner of a patent to parcel out and sell to others "rights to exclude " for the sole purpose of promoting litigation and thereby suppressing competition in business. The contract forming the basis of this suit exemplifies the attempted creation of a new monopoly under the patent grant, whereby one manufacturer may harass a competitor by expensive litigation involving a patent, the legal title to which is owned by parties not in court, and a decree respecting which would not be binding upon the owner. The effect of such litigation would be truly to *prevent* instead of "*promote* the progress of science and useful arts," as contemplated by the Constitution.

v. Stat.,
c. 4884.

Section 4884 of the Revised Statutes of the United States provides that:

> "Every patent shall contain . . . grant to the patentee, his heirs or assigns for a term of seventeen (17) years of the *exclusive right* to *make, use*

and *vend* the invention or discovery throughout the united States or the territories thereof."

The contract, "Exhibit A," which forms the basis of this suit, shows that the respondent herein is not in possession of any of the "*exclusive rights* to make, use or vend" granted by the patent in suit, and therefore has no interest in the patent which a court of equity can protect.

Respondent owns no "rights" patent wh equity protect.

The "right" which was attempted to be conveyed in "Exhibit A" can find no authority for its existence under the statutes of the United States which created the patent, and legally the right to sue for infringement does not exist apart from ownership.

Parties cannot by their own agreement change the rule of law, which under Revised Statutes, Sec. 4919, is:

> "Damages for the infringement of any patent may be recovered by an action on the case in the name of the party interested, either as patentee, assignee or grantee."

Rev. Stat Sec. 4919

Under the decisions of this court, it has been uniformly held in the construction and interpretation of Sec. 4919, Rev. Stat., that the word "assignee" is used to mean the "assignee of patent rights," and does not extend to the assignment only of unproven claims for damages and profits which may accrue to the owner out of an alleged infringement of the patent.

"Party i terested" means in ested in p ent right not in cla for dama only.

This suit is not in the form of an "action on the case for damages," but clearly in the form of a bill in equity seeking to restrain an alleged infringement, and praying an injunction against your petitioner restraining further alleged infringement of a patent owned by parties not in court; without requiring the court to find title in respondent, or validity and infringement of the patent, all of which the law requires to be done before damages can be assessed.

rit should ue in the erest of iformity decisions.

Third: The writ of certiorari should issue in this case and the case be reviewed by the Supreme Court of the United States in the interest of uniformity of decisions and because questions of gravity and importance are involved.

In granting a patent it clearly was not the intention of Congress to permit several different monopolies to be created out of one and to be divided among different persons within the same limits, which is exactly what is attempted to be done in this case.

cision of C. A. vio- es unifor- ty of deci- ns.

The learned Judge of the Circuit Court of Appeals who rendered this opinion has held in former decisions, to which reference is made in petitioner's brief (p. 40, filed herewith), that the patent monopoly is created by the Act of Congress, and no rights can be acquired in it by statute and in the manner therein prescribed.

deral tutes do provide assign- nt of ight to lude."

If there is a statute defining "the right to exclude," as a "property" right which is "made divisible and assignable at the will of the owner," no reference is made to that statute in the entire record in this case in support of respondent's contention nor in the opinion of the Circuit Court of Appeals.

The Circuit Court of Appeals erred in this case in holding—

> "Jurisdiction in equity to enjoin trespasses upon property is unquestionable. When that equitable jurisdiction is invoked, the Chancellor will hear and determine in the same suit the matter of damages that accrued from the trespasses during the plaintiff's ownership of the property and within the period of limitations."

isdiction equity.

This being a case which does not arise under the patent laws, equity cannot take jurisdiction simply because respondent filed this bill and attempted to invoke the aid of a court of equity to enforce an unconscionable contract under the guise of a suit for infringe-

ment in an attempt to collect damages in advance of establishing infringement.

Respondent owned the contract on which suit is brought just ten days prior to filing suit. Damages accruing during that period of ownership would not amount to enough in this case to give the court jurisdiction; and respondent's "rights" extend only to prospective claims of damages and profits. The Federal Court, under Rev. Stat. 629, has no *original jurisdiction* of the subject-matter.

Respondent owned contract ten days before filing suit.

Sec. 4919 does not confer upon parties having neither the right to make, use or vend the patented machine the right to test the validity of a patent owned by parties who are not in court.

Respondent has no right to test validity of patent.

The Circuit Court of Appeals in its opinion in this case refers to the inventor's natural or common law right, and states:

> "It is clear to a demonstration that the natural or common law right and the statutory right are separate and independent. Neither infringes upon the other."

Inventor's common law and statutory right

An inventor can make, use and sell his invention under his common law right, but he cannot enjoin others from making, using and selling the same thing. It is the ownership of the patent grant which enables him to enforce his "rights of exclusion"; apart from ownership he would stand in precisely the same position as when practicing the invention under his natural or common law right.

Congress has enacted no statute enabling the owner of a patent to transfer greater or different rights than the inventor possessed without the patent. In the present case respondent owns no rights to the invention covered by the patent, but if permitted to maintain this suit, respondent will be doing, without any of the rights

Respondent demanding more than inventor could do at common law and without owning any part of statutory grant

granted to the patentee, what the inventor could not do without the patent grant.

Fourth. The writ of certiorari should issue in this case because the Circuit Court of Appeals erred in holding—contrary to all precedents heretofore established by this court—that a complainant who has no right, title or interest in a patent can maintain a suit for infringement of that patent; the owner of the legal title to the patent involved herein is not a party to the litigation.

gal owner patent t in court.

Section 4898 of the Revised Statutes provides that:

> "Every patent or any interest therein shall be assignable in law by an instrument in writing."

v. Stat., c. 4898.

The Circuit Court of Appeals (p. 23, Rec., C. C. A.) has interpreted this section of the Federal Statute to include the patent owner's imperfect, incorporeal "right to exclude" as a "property" which may be made divisible and assignable at the will of the owner.

terpretation of C. C. A. contrary to atute and ecedents Supreme ourt.

This is a travesty upon every rule of law heretofore established by this Honorable Court in considering and interpreting Section 4898, Rev. Stat.

If this decision is affirmed, it will establish a new and dangerous precedent whereby the patent owner's imperfect, incorporeal, right to exclude may be transferred, independently of the statutory

ffect of w precent would able a n-owner to ilize patt grant to nihilate ee competion.

> "grant to the patentee, . . . of the exclusive right to make, use and vend the invention."

This would enable a non-owner to indirectly utilize the "exclusive rights to make, use and vend" granted by the Government, for the sole purpose of promoting litigation to prevent competition in business.

Contract "Exhibit A" forming the basis of this suit does not grant to respondent the right to test the valid-

ity of the patent on which suit is brought; nor to determine the question of whether or not the machines manufactured by your petitioner infringe the Reed patent in suit; decision of these questions are conditions precedent to the right to any damages, even though the patent owner was complainant.

Necessary legal conditions preceding assessment of damages suits for fringemen

The vast sums of money claimed to be due by the respondent, Nye Tool and Machine Works, of your petitioner by reason of this contract and the finding of the Circuit Court of Appeals, and the peril to your petitioner's entire property, assets and business, under claims made by reason of this decision of the Circuit Court of Appeals, would seem to make this petition worthy of consideration at the hands of this court upon this ground alone, as a matter of gravity and importance. Certainly so to your petitioner.

Since the decision of the Circuit Court of Appeals in this case, and pursuant to the finding of said court, the respondent, Nye Tool and Machine Works, has filed a second suit, an action at law in the same District Court, against your petitioner, in which the amount of damages asked of your petitioner is two hundred fifty thousand dollars ($250,000). In that case, as in the present case, respondent assumes all facts as to the validity and infringement of said letters patent to have been adjudicated, and prays an assessment of damages against your petitioner, amounting, if such demands are recognized, to a sum equal to more than the entire property assets of your petitioner.

Second su for dam- ages filed responden pursuant decision c C. C. A.

Your petitioner respectfully submits that this entire proceeding is contrary to law and equity, and in the interest of justice and well settled legal principles, the patent laws of the United States should not be reversed.

The record in this case is clear that the present legal owner of the patent does not bind itself not to sell said

patent, and any future owner of the patent would have the same recourse to protect the exclusive rights to make, use and vend the invention that its present owner has, and could proceed to enforce those exclusive rights through the courts against your petitioner if it so desired. A defendant has a right under well-established rules of law to be placed in position to have settled for all time in one litigation any question respecting the alleged charge of infringement. No decree entered in the present case would be binding upon the Reed Mfg. Company, legal owner of the patent in suit. Law and equity demand that all who have rights in the subject-matter in controversy shall be parties to the suit, in order that there be an end to litigation.

In the present suit an attempt is made to divide the patent into fractional interests which, it was represented on behalf of respondent and considered in the court below, was an effort to institute a new method or system of handling patent interests, designated on behalf of respondent as a division of the patent rights on "personal lines." By way of explanation it was represented on behalf of respondent that the authorities cited by your petitioner contained expressions made by courts without having in view this new way of dividing the patent; that the court's mind seemed inconsistent with the validity of the contract "Exhibit A"; but, it was contended on behalf of respondent, those expressions of the court were *unimportant* because based upon situations not only different in fact, but different in principle from the present case.

The statutes of the United States have repeatedly defined the different interests in a patent which are transferable, as (1)a transfer of the whole patent; (2) of a territorial fraction of a patent; or (3) an undivided interest in the whole patent.

The issues here are based upon respondent's attempt to create and litigate a fourth interest in a patent which has never heretofore been recognized to exist separate from the patent grant.

Respondent's alleged fourth interest.

It is the contention of your petitioner:

First, that without amending the Constitution which specifically provides for the *promotion* of science and the useful arts, by a new enactment granting power and authority to certain persons to prevent competition in the promotion of science and the useful arts, this suit cannot be legally maintained; and

To maintain this suit would require amendments to Constitution and Revised Statutes.

Second, without creating statutory authority whereby the right of protection may be divided into a separate estate, transferred, and utilized by outside parties to promote litigation against competitors, such a contract or instrument as "Exhibit A" can have no standing in a court of justice.

The learned judge who rendered the opinion of the Circuit Court of Appeals, referring to Sec. 4898, R. S. (Opinion, p. 23), stated:

> "Congress, having full constitutional power over the subject, could have provided that a patent should be non-assignable, or, if assignable, that it should be assigned only as an entirety."

But Congress did not so provide.

It would likewise logically follow that Congress, having full constitutional power over the subject, instead of reciting in each patent grant that:

Power of Congress.

> "These letters patent are to grant . . . the *exclusive right to make, use and vend* the said invention throughout the United States and territories thereof."

Could have provided that:

> "These letters patent are to grant . . . the exclusive right *to exclude all other persons from*

making, using and vending the said invention. . ."

But Congress did not so provide.

It is clear that the purpose of Congress was to *promote,* and not to *prevent,* the development of inventions through the medium of the patent grant.

Therefore your petitioner respectfully submits that the issues of this case presented by the respondent are in violation of the Constitution of the United States, the acts of Congress respecting the rights of owners of patents, and of every principle of equity founded thereon.

Fifth. The writ of certiorari should issue because the Circuit Court of Appeals failed to follow or to give force or effect to the well established rules of law and decisions of this court on the legal propositions involved, as they are set forth in petitioner's brief filed herewith, which includes on page 40 thereof reference to a decision previously made by one of the judges who decided the present case wherein Sec. 4919, R. S. was given an entirely different interpretation than is now given to it.

Sixth. Writ of certiorari should issue in this case because, under the circumstances heretofore stated, a full consideration of the case by this Honorable Court will tend to prevent costly, undesirable, unjust and unconscionable litigation in the future between manufacturers of patented devices, which would follow the precedent established if this decision of the Circuit Court of Appeals is not reversed. The effect of the present decision could only be to generally discourage invention and the commercial development of patented articles.

Respondent seeks by this litigation to enlarge the patent monopoly, whereby the owner of a patent may not only retain the whole of the "exclusive right to make, use and vend" the invention, but may simultane-

ously transfer the right to exclude others from making, using and vending the same invention.

Your petitioner contends that there is a basic principle involved in this litigation which strikes at the heart of industrial development. This expansion of the patent monopoly, if upheld by the Supreme Court of the United States, would be of great value to large manufacturers of patented devices, as it would provide an entirely new weapon with which to annihilate competition. A sufficient investment in patent litigation would enable any manufacturer to so involve competitors in patent litigation that their business would become unprofitable. Thus, in effect, the new monopoly now sought to be extracted from the patent grant would operate in restraint of trade and destroy free competition.

The new
nopoly in
straint of
trade and
against
competiti

Your petitioner further and finally respectfully submits that all of the grounds, reasons and matters asserted and appearing herein for the granting of this petition are raised and presented in due and proper order and place, as appears by a certified copy of the record of the entire case and proceedings here presented. Your petitioner has not understood that it would be expected in this petition to state in detail all facts and legal propositions relied upon in support of this petition and has therefore herein stated only the salient points, positions, reasons and facts upon which this petition is based and founded.

Brief in
port of
titioner's
plication
writ of
tiorari.

Wherefore your petitioner respectfully prays that a writ of certiorari may be issued out of and under the seal of this court and directed to the United States Circuit Court of Appeals for the Seventh Circuit, commanding said court to certify and send to this court, on a certain day to be therein designated, a full and complete transcript of the record and of proceedings of the

said Circuit Court of Appeals in the case therein entitled *Nye Tool and Machine Works, Appellant,* vs. *Crown Die and Tool Company, Appellee,* No. 2942, as identified by the Transcript of Record, and to cease and withhold any further action or order in said case until the further order of this court, to the end that the case may be reviewed and determined by this court as provided by Sec. 6 of the Act of Congress, entitled "An Act to establish Circuit Courts of Appeals . . . and for other purposes, approved March 3rd, 1891"; and that your petitioner may have such other and further relief or remedy in the premises as to this court may seem proper and in conformity with said act, and that the judgment and finding of said Circuit Court of Appeals, and every part thereof, may be reversed by this Honorable Court.

And that your petitioner will ever pray, etc.

CROWN DIE AND TOOL COMPANY,
By JAMES W. BARRETT,
President.

FLORENCE KING,
Counsel for Petitioner.

United States of America,
State of Illinois,
County of Cook. } ss:

James W. Barrett, being duly sworn, states that he is president of the above named petitioner, The Crown Die and Tool Company, and as said president has full knowledge of its business and affairs and complete knowledge of the matters and things set forth in the above petition and of the conduct and proceedings in the above entitled action; that he has read the forego-

ing petition subscribed by him and knows the contents thereof and that the facts therein stated are true, except as stated upon information and belief, and as to such statements, he believes the same to be true.

JAMES W. BARRETT.

Subscribed and sworn to before me this 23rd day of December, A. D. 1921.

ARTHUR B. RUSSELL,
Notary Public.

I hereby certify that I have examined the foregoing petition and that in my opinion the petition is well founded as to matters of fact and as to matters of law and that the case identified thereby is one, and is such that the prayer of the petition should be granted by this Honorable Court.

FLORENCE KING,
Solicitor for Petitioner.

Notice of Motion.

IN THE

SUPREME COURT OF THE UNITED STATES.

October Term, A. D. 1921.

Crown Die and Tool Co.,
Petitioner,

vs.

Nye Tool and Machine Works,
Respondent.

To DYRENFORTH, LEE, CHRITTON & WILES,
Attorneys for Respondent.

Please take notice that on Monday, January 9th, 1922, at the opening of court on that date, or as soon thereafter as counsel can be heard, a motion for a writ of certiorari, of which a copy is attached hereto, will be submitted to the Supreme Court of the United States at the City of Washington, District of Columbia, for a decision of the court thereon. In support of said motion, a petition and brief will also be presented to said court, copies of which are herewith served upon you.

Respectfully,

FLORENCE KING,
Solicitor for Petitioner.

Service of the foregoing notice and motion and receipt of petition and brief is hereby admitted this ..... day of December, 1921.

Attorneys for Respondent.

IN THE

SUPREME COURT OF THE UNITED STATES.

October Term, A. D. 1921.

Crown Die and Tool Co.,
Petitioner,

vs.

Nye Tool and Machine Works,
Respondent.

Now comes the Crown Die and Tool Company, by Florence King, its attorney, and moves this Honorable Court that by a writ of certiorari or other process directed to the Honorable Judges of the United States Circuit Court of Appeals of the Seventh Circuit, at Chicago, Illinois, requiring said court to certify to this court for its review and determination a certain case in said court lately pending, wherein the Nye Tool and Machine Works was appellant and Crown Die and Tool Company was appellee, and to that end now tenders herewith its petition and a certified copy of the entire record in said case in said Circuit Court of Appeals.

FLORENCE KING,
Attorney for Petitioner.

Service of the foregoing motion is hereby admitted this ..... day of December, 1921.

Attorneys for Respondent.

IN THE

SUPREME COURT OF THE UNITED STATES.

October Term, 1921.

CROWN DIE & TOOL CO.,
Petitioner,

vs.

NYE TOOL & MACHINE WORKS,
Respondent.

BRIEF IN SUPPORT OF PETITION FOR A WRIT OF CERTIORARI.

To the Honorable Judges of the Supreme Court of the United States:

Your petitioner has filed its petition praying that a writ of certiorari may issue from this Honorable Court to the Circuit Court of Appeals for the Seventh Circuit, and in support of said petition and the matters stated therein presents this brief of its authorities.

Upon the record in this case it is clearly shown that the decision rendered by the Circuit Court of Appeals is in conflict with the principles of law well established through repeated decisions of this court, and in the interpretation of the Constitution of the United States and of the patent laws, particularly Sections 629, 4884, 4898 and 4919 of the Revised Statutes of the United States.

According to the law as stated by the Supreme Court in *United States* v. *Three Friends,* 166 U. S., 495, and *ex parte Lau Ow Beu,* 141 U. S., 583, and 144 U. S., 447, a writ of certiorari will issue under the Judiciary Act of March 3, 1891, from the Supreme Court to the Circuit Court of Appeals, where questions of gravity and im-

portance are concerned, and where there is necessity for uniformity of decisions.

The decision of the Circuit Court of Appeals in this case is important in its immediate effect and far-reaching in its consequence.

If not reversed, the decision herein will establish a precedent of great concern to all manufacturers of patented articles, and which undoubtedly comes within that class of cases which the Supreme Court has repeatedly held to be of great public concern; one which involves the interpretation of our patent laws, either upholding precedents heretofore established by this court, or forming a new precedent which will create a basis for endless patent litigation.

The jurisdiction of the court in this case can be determined only by an interpretation of the Federal Statutes granting original jurisdiction to Federal Courts in all cases arising under the patent laws. Jurisdic of the eral Cou

It is contended by petitioner that this is a suit on a contract, and is not a case arising under the patent laws, and, therefore, the parties to the suit, all being residents of the State of Illinois, the Federal Court has no jurisdiction. This is, therefore, a case which the Supreme Court will review and determine the question of jurisdiction where it is distinctly raised in any form.

Sheppard v. *Adams*, 168 U. S., 618.

Osborn v. *Bank of U. S.*, 9 Wheat., 738:

> "If, from the questions, it appears that some title, right, privilege or immunity on which the recovery depends will be defeated by one construction of the constitution or a law of the U. S., or sustained by the opposite construction, the case will be one arising under the constitution or laws of the United States within the meaning of that term as used in the act of 1885, otherwise not. Such is the effect of the decision on this subject."

nit
e de-
by
on-
on of
atute,
tained
other.

In the present case, if the Constitution and the Revised Statutes are given the interpretation heretofore established by this court, the respondent herein would have no cause of action against this petitioner, but under the interpretation given to the Revised Statutes, especially Sec. 4919 thereof, by the Circuit Court of Appeals for the Seventh Circuit, a new precedent is established which admits the jurisdiction of the Federal Court and at once is in conflict with previous decisions of this court.

Albright v. *Teas*, 106 U. S., 550:

> "The only complaint made in the bill is that the appellants were fraudulently excluding the appellee from an inspection of their books of account, and refused to pay him sums due for royalties under his contract. And the prayer of the bill was for a discovery, an account of what was due appellee under his contract and a decree for the amount found to be due him. On the face of the bill therefore, the case is not one arising under the Patent Laws of the United States.
>
> "It does not appear that there is any dispute whatever between the parties in reference to the construction of the patents of the appellee. The controversy between them is stated by the appellants themselves, is whether certain goods manufactured by them embodied the invention covered by appellant's patents. This does not necessarily involve the construction of the patents. . . . The case cannot therefore be said to be one which grows out of the legislation of Congress. Neither party asserts any right, privilege, claim, protection, or defense founded in whole or in part on any law of the United States. We are therefore of the opinion that even if we go outside the pleadings and look into the testimony, the case is not one arising under the laws of the United States and consequently that the courts of the United States had no jurisdiction to entertain it."

Excelsior Wooden Pipe Co. v. *Pacific Bridge Co.*, 185 U. S., 282, the court held:

> "If a bill be brought to enforce or set aside a con-

tract, though such contract be connected with a patent, it is not a suit under the patent laws and the jurisdiction of the Circuit Court can only be maintained upon the grounds of diversity of citizenship."

In *Pratt* v. *Paris Gas Light Co.*, 168 U. S., 62, the court held:

"The action under consideration is not one arising under the Patent Laws of the United States in any proper sense of the term. *To constitute such a case, the plaintiff must set up some right, title or interest under the patent laws, or at least make it appear that some right, or privilege will be defeated by one construction, or sustained by the opposite construction of those laws.*" *Starin* v. *City of New York*, 115 U. S., 248.

Germania Ins. Co. v. *Wisconsin*, 119 U. S., 473:

"There is a clear distinction between a *case* and a *question* arising under the Patent Laws. The former arises, when the plaintiff in his opening pleading, be it a bill of complaint, or declaration, sets up a *right* under the patent laws as ground for the recovery. Of such the State Courts have no jurisdiction. The latter may appear in the plea or answer, or in the testimony. The determination of such a question is not beyond the portent of the State tribunals.

Differe betwee case an questio arising der th ent la stated the Su Court.

"While the question has never arisen in this Court in the exact form presented in this case, *we have repeatedly held that the Federal Courts have no rights, irrespective of citizenship to entertain suits for the amount of an agreed license or royalty or for the specific execution of a contract for the use of a patent, or of other suits where the subsisting contract is shown governing the rights of the party in the use of the invention, and that such suits not only may, but must, be brought in the State Courts.*"

The present suit comes under the law as stated by this court in *Defiance Water Company* v. *Defiance*, 191 U. S., 184:

"It must appear in the record, by a statement in legal and logical form, such as is required in good

pleading that the suit is one which does really and substantially involve a dispute or controversy as to a right which depends on the construction of the Constitution or some law or treaty of the United States, before jurisdiction can be maintained on this ground.

"We regard this bill as an attempt to evade the discrimination between suits between citizens of the same state, and suits between citizens of different states established by the Constitution and laws of the United States, by bringing into the Circuit Court controversies between citizens of the same state, and an evasion which it has been the constant effort of Congress and this court to prevent. *Bernard's Township* v. *Stebbins,* 109 U. S., 341; *Shreveport* v. *Cole,* 129 U. S., 36.

"The decree is reversed at appellant's cost and the case remanded with instructions to dismiss the bill for want of jurisdiction."

In *Shreveport* v. *Cole,* 129 U. S., 36, this court held:

"In cases originally brought in the Circuit Court or by removal from the state court, it is made the duty of the state court to dismiss or remand the same whenever it appears that the suit does not really and substantially involve a dispute or controversy properly within its jurisdiction, or that the parties to the suit have been improperly or collusively made or joined either as complainants or defendants for the purpose of creating a case cognizable or removable. As remarked in *Bernards* v. *Stebbins,* 109 U. S. 353, it has been the constant effort of Congress and of this court to prevent the discrimination in respect to suits between citizens of the same state and citizens of different states established by the Constitution and laws of the United States, from being evaded by bringing in the Federal Courts controversies between citizens of the same state. We regard this suit as an evasion of that character. The judgment of the Circuit Court is reversed and the case remanded with directions to dismiss the petition."

Your petitioner, who was defendant in the court below, on a motion to dismiss, contested the right of respondent herein to maintain this suit on the ground that respondent represented no legal or equitable interest in

the patent sued on, and that the court had no jurisdiction of the subject-matter.

As set forth in the petition, respondent owns no interest, not even a license to make, use or vend the invention of the patent in suit, but has a contract with the owner of the patent, which contract purports to transfer to respondent all claims for damages or profits which may be collected from your petitioner on the alleged charge of infringement.

The bill of complaint filed by respondent in the Federal Court does not pray the court for a decree finding legal title to the patent in suit in complainant, or that the patent is valid, or that the patent is infringed; but does pray for an injunction, and for assessment of damages and profits against the defendants.

Requirements for Injunctive Relief in Patent Cases.

Injunctive relief in equity will be granted to prevent an injury to the rights or property of complainant, and it is incumbent upon a complainant demanding a writ of injunction to restrain a defendant from alleged infringement of a patent, that said complainant must come into court with an interest showing a *legal right* under the patent which can be protected by the injunction writ and showing also that the true purpose for the writ is one appealing to a court of equity.

Complain must sho right to junctive writ.

In the present suit the patent involved is owned by the Reed Mfg. Company who is not in court and, as will be seen by reference to the contract, "Exhibit A," has not transferred any of the exclusive rights to make, use and vend the device of the patent to the respondent.

Nye Tool and Machine Works, respondent, on the other hand, owning no legal interest in the patent, is attempting, with the aid of a court of equity, to secure an in-

junction restraining your petitioner from making, using and vending machines which are alleged to infringe the patent owned by the Reed Mfg. Company.

In prosecuting this suit, the respondent has assumed the legal status of the owner of the patent grant, and asks the court to so recognize this alleged status, failing to apprehend the fact that a purchaser who buys from the patentee the naked right to promote litigation by bringing suit to collect damages and profits in advance of an adjudication of the legal rights involved is not by law given the legal status of the patentee or owner.

The patentee at the time his patent issues has a natural right to practice his invention, and his patent monopoly permits him to protect his right by excluding all others.

The patent vests in the owner two things which are vital to his standing in a court of equity, *i. e.*:

(1) The exclusive right to make, use and vend the invention; and

(2) The equitable remedy by injunctive relief for the violation of that right.

The granting of the patent took away from all others, save the patentee and his assigns, the right to make, use and vend the invention, and as the injunctive relief is *solely for the protection of the patent owner against violation of these exclusive rights,* it cannot be a property separate and divisible from the patent at the will of the owner. If, as in the present instance, it is to be separated and divided from the patent, the owner of the patent is—in advance of a violation of his exclusive rights—selling the remedy incidental to the protection of the "exclusive right to make, use and vend"; at the same time retaining all of the exclusive rights of the patent grant.

This, petitioner contends, is contrary to the spirit and

purpose of the Constitution and of the Revised Statutes of the United States respecting the patent grant.

Respondent herein is not entitled to maintain an action which might result in having the letters patent herein declared invalid, and no cause of action entitling respondent to such relief is stated.

Every suit charging infringement of a patent requires the court to decide three essential facts before a writ of injunction will issue, viz.:

1. That the complainant is owner of the legal title;
2. That the patent is valid;
3. That the patent has been infringed by the defendant.

The prayer for relief in the present case (Trans. of Rec., p. 4) does not ask the court's decree as to title, validity or infringement of the patent.

These three points *must* be decided in the affirmative before the *owner* of a patent is entitled to injunctive relief in a court of equity. From the record in this case it is plain that these points are not to be adjudicated in this suit.

It is therefore conclusive that this is not a suit arising under the patent laws. Also it is not a case, the parties being residents of the same state, coming within the jurisdiction of a Federal Court.

In the court below respondent interpreted the document "Exhibit A" (Rec. 4-5) as an assignment transferring to respondent herein an "interest" in the patent, and attempts to bring respondent within the requirements of Equity Rule 37 as "the real party in interest."

While Equity Rule 37 provides that

> "every action shall be prosecuted in the name of the real party in interest,"

the clear purpose of this rule is to prevent the necessity of joining as parties those who have merely a pecuniary

Respond
contenti
in confli
with Co
tution.

Suit for
fringeme
puts thr
question
issue w
must be
swered i
favor of
owner b
fore inj
tion will
sue.

Not in
issues in
case.

Equity
37 and
vised St
ute, Sec
4919.

interest in the action. It cannot be assumed that the Supreme Court had for its purpose to render R. S. Sec. 4919 inoperative and to change the whole meaning of its prior decisions defining what "interest" is meant. An interpretation of the rule as set forth in numerous cases plainly shows that the "interest" asserted by a plaintiff under Sec. 4919, Rev. Stat., must be a *legal interest in the patent grant.*

In *Moore* v. *Marsh,* 7 Wallace, 515, this court decided who are "parties interested":

> "Correct interpretation of the words, 'person or persons interested,' is that the words mean the person or persons interested in the patent at the time when the infringement was committed, which is the cause of action for which the damages may be recovered."

And in *Gaylor* v. *Wilder,* 10 Howard, 469:

> "Unquestionably, a contract for the purchase of any portion of the patent right may be good as between the parties as a license and enforced as such in the courts of justice. But the *legal right in the monopoly remains in the patentee and he alone can maintain an action against a third party to contest an infringement upon it."* Following *Blanchard* v. Eldridge, 1 Wal., 337.

To hold that respondent in the present case had a legal interest in the patent monopoly would be contrary to all previous decisions.

In *Pope* v. *Gormully Mfg. Co.,* 144 U. S., 238, the plaintiff owned an exclusive right to make, use and vend the invention with respect to a feature forming a most important part of the patent; but the court held that such right did not give him an interest necessary to enable him to maintain a suit for infringement.

Respondent contended in the court below that the assignment in that case did not purport to give the assignee the right to exercise all three rights granted by the

whole patent, it did give to the assignee all three rights as to the claim in question, which covered an important part of the invention.

Respondent does not own one of the three rights of the patent grant.

In the present instance respondent does not own even *one* of the three rights to any of the claims granted by the patent.

In order to find an apparent excuse for bringing this action in the Federal Court, an interpretation is placed upon Equity Rule 37 which is contrary to Sec. 4919 of the Rev. Stat., and which cannot, under many decisions of this court, be maintained.

The Law in This Case.

The legal questions to be determined in this proceeding are two-fold, *i. e.*, (1) the lack of title of the respondent to the patent in suit, and (2) the jurisdiction of the court.

Two legal questions in this case.

As the question of the jurisdiction of the court should first be determined, your petitioner presents authorities which are conclusive on this subject. The bill of complaint (Trans. of Rec., pp. 2-4) shows that your petitioner and respondent herein are both corporations of Illinois, and both domiciled in Chicago.

In filing this suit the respondent assumed the legal status of the owner of a patent grant, and for the purpose of prosecuting your petitioner for the collection of a prospective claim for alleged damages and profits, has brought this suit in the United States Court under the guise of a suit for infringement.

Respondent assumes legal status of patent owner.

The bill of complaint as filed does not present a cause of action arising under the patent laws of the United States, nor does the respondent state in the bill that the suit involves an amount of money sufficient to give the United States Court jurisdiction.

Upon the question of whether or not a complainant having no legal interest in the subject-matter of the litigation can maintain a suit, this court said in *Davis* v. *City of Los Angeles,* 189 U. S., 209:

> "This was a bill in equity filed in the Circuit Court for the South District of California, by appellant, a citizen of Mass. to restrain the City of Los Angeles and its officers from enforcing certain municipal ordinances prohibiting the erection or maintenance of gas tanks or reservoirs within certain portions of the city.
>
> "The demurrer was filed to the bill by the city for want of equity and of jurisdiction which was sustained by the court and the bill dismissed.
>
> "As the appellant has shown no *legal interest* in this litigation and no lack of a complete and adequate remedy at law it results that the bill was properly dismissed and the decree of the court below is affirmed."

To permit respondent to prosecute this suit in a Federal Court, under the guise of a suit for infringement of patent rights, will require a different interpretation of the Revised Statutes of the United States than has been heretofore made by this court.

Robinson on Patents, Vol. 3, p. 123:

> "An infringement is an invasion of the monopoly granted by the patent and the law which defines and authorizes this monopoly confers *only upon its legal owners* the right to institute proceedings for its violation."

Page 131:

> *"The right of action cannot be conveyed separately from the patent since this would confer the ability to sue for an infringement any other persons than those named in the statute as the legal owners of the monopoly."*

On behalf of the respondent in the court below it was contended that as courts of equity had created the whole right to assign choses in action, there seemed to be no

logical or sound reason why the present assignment should not be considered as perfectly proper in equity.

Choses in action.

Courts have classified choses in action as assignable and non-assignable, and clearly the contract forming the basis of the present suit is based upon a non-assignable chose in action.

In *Hayward* v. *Andrews,* 106 U. S., 672, the Supreme Court settled that question:

> "An assignee of a chose in action, *as a patent right* cannot proceed by a bill in equity to enforce for its own use the legal right of his assignor merely because he cannot sue in his own name."

The law stated by Supreme Court.

In accordance with the above clearly the respondent herein has no legal rights which it can enforce against petitioner in this action. In urging this contention in the court below respondent did not present a single decision supporting its right to bring suit upon a chose in action.

In *Gordon* v. *Anthony,* 16 Blatch., 234, this court held:

> "Equity jurisdiction in patent cases is conferred by sections 629, 711 and 4921 of the Revised Statutes, notwithstanding the patent may have expired before suit is brought, and no injunction could be granted."
>
> "No person can bring a suit for profits or damages for infringement *who is not the patentee or such an assignee or grantee as the statute points out.*"
>
> "*A claim to recover profits or damages for past infringement cannot be severed from the title by assignment or grant so as to give a right of action for such claim in disregard of the statute.*"

Respondent's suit contrary to the law here stated by Supreme Court.

> "The profits or damages for infringement cannot be sued for except on the basis *of a title as patentee, or as such assignee or grantee to the whole or part of the patent, and not on the basis merely of a right to a claim for profits and damages severed from such title.*"

From the above decision there can be no doubt that the entire title to the patent must be represented in a suit for infringement.

DeForest v. *Collins Wireless Telephone Co.,* 174 F. R., 821.

The right to sue on a patent is not a matter of contract, but is the creature of and can only exist as authorized by statute. In the above case the court said:

"It does not appear from said bill of complaint that the complainant herein has such title or interest in or under the Letters Patent herein sued upon as to enable him to maintain suit against this defendant."

"The case at bar is controlled by *Pope Mfg. Co.* v. *Gormully Mfg. Co.*, 144 U. S., 248. In this case Mr. Justice Brown discusses *Gaylor* v. *Wilder*, 10 Howard 477 (the leading case upon this subject), and *Waterman* v. *MacKenzie*, 138 U. S. 252, and reaffirming the principle of law therein enunciated held as follows:

"The monopoly granted by law to a patentee is for one entire thing, and in order to enable an assignee to sue for an infringement, the assignment *must convey to him the entire and unqualified monopoly which the patentee holds* in the territory specified."

"In that case the complainant claimed title from the patentee under an instrument using as apt terms of sale and assignment as those used in the case at bar but as was said by Justice Gray in *Waterman* v. *MacKenzie, supra*, page 256 of 138 U. S."

"Whether a transfer of a particular right or interest under a patent is an assignment or a license, *does not depend upon the name by which it calls itself, but upon the legal effect of its provisions.*"

"In the case cited as controlling the conveyance did not embrace the *entire monopoly*, but was limited to so much of the patent as related to or covered the adjustable hammock seat or saddle. It was held that this limitation made the conveyance a mere license. This limitation and its legal effect are indistinguishable from those found in the case at bar, in which the *complainant did not obtain the patentee's invention* in connection with the wireless telegraph work, but only that which related to telephone work and communication. By this limitation the contract is but a license."

"The complainant being a licensee, and not an as-

signee, cannot maintain an injunction bill in his own name unless (as is contended in his behalf) the authority contained in the license, viz.; together with the right to sue for and collect damages and royalty, past or future for the infringement of said patents, etc., gives him the right so to sue."

Statute not authorize the "right" tempted be conv by "Ex A."

"Assuming for argument's sake that the capacity to sue is a matter of contract, it is to be noted that this clause does not expressly authorize a bringing of suits to enjoin infringements. By its own terms it is limited to bringing *suit for damages and royalty and this can be done only in any action at law.*

"A patent right is a creature of the federal law and *no rights can be acquired in it,* unless *authorized by statute and in the manner the statute prescribes. Gaylor* v. *Wilder* and *Waterman* v. *MacKenzie, supra.*"

Sec. 4898, Rev. Stat., 3 U. S. St. 1901, page 3387, 5 Fed. St. Ann. 531, provides that:

"Every patent or any interest therein shall be assignable in law by an instrument in writing and the patentee or his assignee or legal representatives may in like manner grant and convey an exclusive right under the patent to the whole or any specified part of the United States."

"By section 4919, Rev. Stat., 3 U. S. Comp. St. 1901, page 3394, 5 Fed. Stat. Ann. 552:

"Damages for infringement of any patent may be recovered by action on the case, in the name of the party interested, either a patentee, assignee or grantee."

"Grants as well as assignments must be in writing, and they must convey the exclusive right under the patent to make and use and vend to others to be used, the thing patented, within and throughout some specified district or portion of the United States and such right must be exclusive of the patentee as well as all others except the grantee." *Moore* v. *Marsh,* 7 Wallace, 515.

Assignm must c the excl rights u the pate

" 'It *was obviously not the intention of the legislature to permit several monopolies to be made out of one, and divided among different persons within the same limits.* Such a division would inevitably

lead to fraudulent impositions upon persons who desired to purchase the use of the improvement, and would subject the party under a mistake as to his rights, use the invention without authority be harassed by a multiplicity of suits, instead of one, and to successive recoveries of damages by different persons holding different portions of the patent right in the same place.'

"Unquestionably a contract for the purchase of any portion of the patent right may be given as between the parties as a license, and enforced as such in the courts of justice. But the legal right in the *monopoly remains in the patentee, and he alone can maintain an action against a third party who commits an infringement upon it. Demurrer sustained.*"

In *Waterman* v. *MacKenzie,* 138 U. S., 255, this court said:

"Every patent issued under the laws of the United States for an invention or discovery contains a grant to the patentee, his heirs and assigns for a term of seventeen years, of *the exclusive right to make, use and vend the invention* or discovery throughout the United States and the territories thereof. Rev. St., Sec. 4884. The monopoly thus granted is one entire thing, and cannot be divided into parts except as authorized by those laws.

"The patentee or his assigns may, by instrument in writing assign, grant and convey, either:

"1. The whole patent, comprising the exclusive right to make, use and vend the invention throughout the United States, or

"2. An undivided part or share of that exclusive right; or

"3. The exclusive right under the patent within and throughout the specified part of the United States.

"A transfer of either of these three kinds of interests is an assignment, properly speaking, and vests in the assignee a title in so much of the patent itself with the right to sue infringers. In the second case, jointly with the assignor. In the first and third cases, in the name of the assignee alone.

Any assignment or transfer short of one of these, is a mere license, giving the licensee *no title in the patent and no right to sue at law in his name for an infringement.* Rev. Stat. 4919; *Gaylor* v. *Wilder,* 10 Howard, 477; *Moore* v. *Marsh,* 7 Wall. 515."

"*In equity, as at law,* when the transfer amounts to a license only, the title remains in the owner of the patent, and suit must be brought in his name, and never in the name of the licensee alone, unless that is necessary to prevent an absolute failure of justice as where the patentee is the infringer and cannot sue himself. Any rights of the licensee must be enforced through or in the name of the owner of the patent, and perhaps, if necessary to protect the rights of all parties, joining the licensee with him as a plaintiff. Rev. Stat. 4921."

Suit mu
brought
name o
owner.

Littlefield v. *Perry,* 21 Wall., 205.

Paper Bag Cases, 105 U. S., 766.

Birdsell v. *Shaliol,* 112 U. S., 485.

"Whether a transfer of a particular right or interest under a patent is an assignment or a license does not depend upon the name by which it calls itself but upon the legal effect of its provisions. . . . On the other hand, the grant of an *exclusive right* under the patent within a certain district which does *not* include the *right to make,* the *right to use* and the *right to sell* is *not* a grant of a *title* in the whole patent right within the district, and is therefore only a license."

Title d
not pas
less co
with ri
make,
and ve

In *Goldsmith* v. *The American Paper Collar Co.,* 2 F. R., 239, the court held:

"An action for infringement of a patent must be brought in the name of the real and beneficial party in interest.

"This is a suit in equity brought for the infringement of letters patent granted to Charles Spofford and James H. Hoffman. . . . That Spofford after the grant of the patent entered into an agreement in writing with the plaintiff, Goldsmith, whereby among other things he appointed Goldsmith as attorney, and in his place or stead to commence, prosecute, compromise, settle, release, conclude and en-

force, by suit at law in equity any infringement of the rights secured to him, said Spofford, by said patent by defendant, of such suits to be brought in the name and at the cost of said Goldsmith; that Spofford thereby expressly agreed that he would not do in respect to the defendant any of the acts which he thereby authorized Goldsmith to do; that Goldsmith is the sole and lawful person to bring the bill as to the interest in the patent vested in Spofford; that Hoffman and Spofford will receive large profits from the patent if infringement by the defendant be prevented. It prays for a recovery of profits and of damages. The bill is demurred to because Spofford is not made a party, and because Goldsmith is made a party."

"It is provided by Section 4919, of the Revised Statutes that:

"Damages for the infringement of any patent may be recovered by action on the case in the name of the party interested either as patentee, assignee or grantee."

"Jurisdiction is given to the Circuit Court, by Section 629, of all suits in law or in equity arising under the patent laws.

"It is provided by Section 4921 upon a decree being rendered in any case for an infringement complainant shall be entitled to recovery in addition to the profits to be accounted for by the defendant, the damages the plaintiff has sustained thereby.

"The clear purport of this provision is *that the party in interest must bring the suit whether at law or in equity, in his own name,* and cannot delegate the right to another person to bring the suit in the name of such other person, when the suit is not for the benefit in any way of such other person. It is a question of *public policy.* The defendant has a right to require that the real name or party in interest shall be in court, so that the court may exercise a control over him, in the course of the suit, if necessary to require him to do something which the rights of the defendant may require to be done. Goldsmith has no control as to the patent, or any-

thing to be done under it, except to bring suits in respect to Spofford's interests.

"There is another respect to which it is against *public policy* to permit a suit like this to be brought. Goldsmith appears to be clothed with the entire discretion as to when and under what circumstances to bring suit and when to compromise or settle for infringement. Spofford has denied himself of all control in this respect although he has a beneficial interest and Goldsmith does not appear to have any. As was said by Judge Shipman in *Gregerson* v. *Imlay*, 4 Blatch., C. C. R. 503:

"This is detrimental to the peace of society and the safety of individuals and against public policy.

"Demurrer sustained."

Southern Textile Machinery Company v. *Fay Stocking Co.*, 243 F. R. 921:

"The instruments in writing here relied on were in exact terms that Drenk and Phillips *are not parting with their title or ownership.* They do not purport to sell or transfer their interest in the patent applied for, either in the United States or in a specific part of it. This limitation or reservation is reserved and expressly set forth in all the writings to which either of them is a party, they purport to give or to be willing to give, permits or licenses to *manufacture* and *sell* only. . . .

The instr... ment "... hibit A" ... likewise ... not tran... title or ... ership.

"It must be held that complainant has acquired, both at law and in equity, something less than the right conferred by the letters patent upon the patentee. The law in this respect has been established by many decisions. The exclusive right thus acquired by a patentee consists of three things: 1. The right to make; 2, the right to use, and (3) the right to vend the invention or discovery. If any one of these three is not assigned or granted, the grantee acquires at most only a license. See the following:

Law well ... tablished ... many de... sions.

Gaylor v. *Wilder*, 10 Howard, 477.

Mitchell v. *Hawley*, 16 Wallace, 544.

Hayward v. *Andrews*, 106 U. S., 672.

Waterman v. *McKenzie*, 138 U. S., 252.

owner a patent not maintain suit for fringement.

"This being the law, complainant has a good title as to one-half of the letters patent now in litigation, and at most a license as to the other half. In this situation, the parties entitled to maintain an action for infringement has often been under consideration *and it is settled law* that a licensee, or one or two or more joint owners of a letters patent *cannot* maintain a suit in equity to enjoin infringement without uniting the licensor or their joint owners. See the following:

Gaylor v. *Wilder,* 10 Howard, 477.

Waterman v. *MacKenzie,* 138 U. S., 252.

courts of equity will complete justice.

"These rules of law are based on the fundamental consideration that all persons interested in the subject-matter or to be affected by a decree should be made parties, because it is for courts of equity to *do complete justice,* and to settle the rights of *all parties* in one suit in order that litigation may end, and a multiplicity of suits be avoided. A decree does not bind absent parties, and they may therefore harass the defendant with another action based on the same cause of action."

der new uity rules urts follow the law blished the Supreme Court er the equity s. *Gaylor* v. *Wilder*; *Waterman* v. *MacKenzie* and ers.

The above case of *Southern Textile Machinery Co.* v. *Fay Stocking Company* is one heard and decided in 1917, under the new equity rules, and clearly defines under the former decisions of *Gaylor* v. *Wilder* and *Waterman* v. *MacKenzie,* who may sue for infringement of a patent, and leaves no question but *that the entire legal interest in the patent must be represented in the complainant.*

The Opinion of the Circuit Court of Appeals in This Case.

in question at issue this case.

In giving consideration to the issues raised in this case the Circuit Court of Appeals appears to have failed entirely to consider the main question at issue, *i. e.,* that respondent herein has no legal title to the patent and cannot under the Revised Statutes place itself in the

status of the owner for the purpose of promoting patent litigation.

Respecting the natural right or the statutory right of a patentee there is no issue in this case, but the Circuit Court of Appeals stated that:

> "An inventor is not compelled by law to apply for and take out a patent if he has produced a new composition of matter of such a nature that the ingredients and the process are safe from discovery by others either by observing his use of his invention or by independent investigation and experiment, he would have a much more entire monopoly by refusing to make the full disclosure that our patent statute invites. Such is his natural or common law right. It is only when he fears discovery and resultant injury from the exercise by others of their natural or common law right to copy his unpatented invention that he seeks the patent solicitor. So it is clear to a demonstration that the natural or common law right and the statutory right are separate and independent. Neither impinges upon the other. Whether an inventor exercises or refuses to exercise his natural or common law right has nothing to do with his assertion of his statutory right which consists exclusively of his power through the courts, to restrain others from practicing his invention and to call them to account for having done so in defense of his monopoly."
>
> . . . . . .
>
> "As 'the right to exclude' is the only property involved and as that property is made divisible and assignable at the will of the owner, and as the owner had duly assigned to appellee the whole of the right to exclude appellee, it is difficult to understand why appellee should feel concerned about appellant's lack of right to exclude strangers to this suit."

C. C. A. fines na and com law righ patentee

Patentee natural statutory right no issue in case.

If the respondent herein was exercising its statutory right "to restrain others from practicing *his* invention to call them to account for having done so in defense

pondent
no rights
ch equity
enforce.

of *his* monopoly," petitioner in this case would be bound to recognize the legal rights of respondent herein to invoke the aid of equity in defense of its monopoly. But having no rights in the patent grant, what monopoly has this respondent which any court of equity can enforce?

rt's opin-
in this
in con-
with
ion of
ge Baker
prior case
olving le-
title to
ent.

The opinion of the Circuit Court of Appeals in this case was delivered by the Honorable Judge Baker. In the case of *Blair et al.* v. *Lippincott Glass Co.*, 52 F. R., 226, Judge Baker also rendered an opinion involving a question of title to the patent in suit. In that case some of the same decisions of the Supreme Court herein relied upon by your petitioner to sustain its present contention were referred to by Judge Baker in support of his decision which is squarely in conflict with the decision in the present case.

In that case Judge Baker held:

> "An inventor of a new and useful improvement has no exclusive right to it until he obtains a patent. This right is created by the statute and secured to the patentee, and no suit can be maintained by the inventor against anyone for using it before the patent is issued. The discovery is a mere inchoate statutory right, which he may perfect and make absolute by proceeding in the manner which the law prescribes. *Reeves* v. *Corning*, 51 F. R., 774."

> "The monopoly secured to the patentee is for one entire thing. It is the right to make, use and vend to others to be used the improvement he has invented and for which the patent is granted to the exclusion of all others. The monopoly did not exist in common law, and the rights which may be exercised under it must be regulated by the law of its creation. It is created by the Act of Congress and no rights can be acquired in it unless authorized by statute and in the manner therein prescribed. *Gaylor* v. *Wilder*, 10 How., 477."

rights
be ac-
red in a
tent un-
authori-
by stat-
e.

"A suit may be maintained for the infringement of a patent in the name of the party interested either as patentee, assignee or grantee. R. S. 4919. But to enable the assignee to sue alone, the assignment must undoubtedly convey to him the exclusive monopoly which the patentee held in the territory specified to the exclusion of the patentee and all others. To enable him to sue jointly with the patentee, the assignment must convey to him an undivided part of the monopoly in the territory where the infringement occurs. Any assignment short of this is a mere license. It has been well said that it was not the intention of Congress to permit several monopolies to be made out of one, and to be divided among different persons within the same limits. Such a division would inevitably lead to fraudulent impositions upon persons who desired to purchase the use of the improvements, and would subject a party who, under a mistake as to his rights, used the invention without authority, to be harassed by a multiplicity of suits instead of one, and to successive recoveries of damages by different persons holding different portions of a patent right in the same place."

Judge Baker's decision in the above case of *Blair* v. *Lippincott*.

Petitioner's contention in this case is stated exactly in the language of Judge Baker in the paragraph above quoted. The respondent herein has not had conveyed to it an "undivided part of the monopoly." As was contended on behalf of petitioner in the court below, and as held in *Gaylor* v. *Wilder,* the complainant in a suit for infringement must own the legal title to the patent. The patent right being "created by an act of Congress, no rights can be acquired in it unless authorized by statute and in the manner therein prescribed." Nowhere does the statute prescribe the assumed "interest" upon which respondent herein relies to maintain this suit for infringement, and which Judge Baker designates in the opinion as "the right to exclude."

Judge Baker's decision in the above case of *Blair* v. *Lippincott* has been followed in *Wallach et al* v. *Wig-*

more, 87 F. R., 469; *N. Y. Continental Co.* v. *City of Sullivan,* 111 F. R., 179; *Brookfield* v. *Novelty Glass Mfg. Co.,* 170 F. R., 960, and others.

Decisions Referred to By Court of Appeals.

In support of its finding the Circuit Court of Appeals in this case makes reference in its opinion to the following decisions:

Bloomer v. *McQuewan,* 14 How., 539.
Patterson v. *Kentucky,* 97 U. S., 501.
Continental Paper Bag. Co. v. *Eastern Paper Bag Co.,* 210 U. S., 465.
Fuller v. *Berger,* 120 F. R., 274.

Decisions referred to in opinion of C. C. A. did not involve issues presented in this case.

In not one of the above cases was a complainant undertaking to sue for infringement when he owned neither a natural nor a statutory right in the patent, as is the case in the present instance.

In *Bloomer* v. *McQuewan* it was decided that:

> "One in the lawful use and ownership of a patented machine at the time of expiration of extended Letters Patent, may lawfully continue to use that identical machine, though the term of the Letters Patent has been still further extended by a special Act of Congress."

No question of title was raised in that case.

In *Patterson* v. *Kentucky,* the question before the court was whether or not a state law could be enforced against a patentee owning a process upon which the United States Government had granted a patent.

No question of title was raised in that suit.

The question decided in the *Continental Paper Bag Company* v. *Eastern Paper Bag Company* was that:

> "Non-use of a patent for an improvement on paper bag machines in order to save the expense of changing or altering the old machines will not justify a

> court of equity in withholding injunctive relief against infringement."

No question of title was raised in that suit.

In *Fuller* v. *Berger*, the court held:

> "Neither the non-use or the misuse of a patented device by the owner of a patent deprives him of the right to maitain a suit in equity to enjoin infringement."

No question of title was raised in that case.

In none of the cases referred to was the question of the complainant's right to sue for infringement presented to the court. It appears from the court's opinion in each of the above cases that the title to the patent in each of the above suits was properly vested in the persons bringing the suits.

To read into this case an assumed issue, the decision of which ignores the real issue presented here, establishes a wicked precedent and is a travesty upon justice.

Decision Court of peals ig real iss in this

Not a single precedent or a section of the Revised Statutes has been pointed out, in this entire case, on behalf of the respondent, nor in the opinion filed by the Honorable Judges of the Circuit Court of Appeals, which furnishes a basis for permitting a complainant having no legal title to the patent, and no rights to make, use or vend the machine covered by the patent, to maintain a suit for infringement.

According to the Revised Statutes and the decisions of this court upon the question of titles heretofore referred to, the petitioner herein cannot be forced to defend a suit for infringement by a complainant who has no legal interest in the patent sued on.

The contract, "Exhibit A," between respondent and the owner of the patent in suit shows that no interest in the patent which can be protected by the injunctive writ was transferred, or attempted to be transferred, by the Reed Mfg. Company to the respondent herein.

Responde owns no terest wh can be tected by junctive writ.

Further, and as previously stated, if the respondent herein has cause of action against the petitioner, it cannot be for anything more or different than is stated in the contract, "Exhibit A," which is only for the collection of alleged damages and profits, the subject-matter of which this court has no jurisdiction.

Upon the decisions above referred to the Circuit Court of Appeals in this case also found that:

> "Section 4898 R. S. says that: Any patent or any interest therein shall be assignable in law by an instrument in writing. It would be harder to find broader or clearer words than 'any interest therein' with which to clothe the owner of a patent with the right to subdivide and deed or lease his property as he pleased."

This court has repeatedly held that a patent can be divided only as prescribed by statute.

If the Constitution or Revised Statutes furnished any basis for this construction of the transferrable interests in patent grants, it is strange indeed that the Supreme Court has always interpreted the law as expressed in *Moore* v. *Marsh, Gaylor* v. *Wilder, Waterman* v. *MacKenzie,* and others referred to in this brief all uniformly holding contrary to the decision of the Court of Appeals in this case.

Public Policy.

In the opinion of the Circuit Court of Appeals (p. 23 Rec.), it is stated:

> "Appellee's argument that a monopoly of this character is contrary to public policy is somewhat belated in view of the Constitution and Acts of Congress."

The petitioner's motion to dismiss raised no question of public policy, although in view of the following decisions it is apparent that it might have done so and would not have done violence either to the Constitution or to the Acts of Congress.

In *Goldsmith* v. *American Paper Collar Co.*, 2 F. R., 239, the court, in referring to Sec. 4921, Rev. Stat., said:

Such litigation as has been repeatedly held to be against public policy

> "The clear purport of this provision is that the party in interest must bring suit whether at law or in equity, in his own name and cannot delegate the right to another person to bring the suit in the name of such other person, when the suit is not for the benefit in any way of such other person. *It is a question of public policy.*"

And again:

> "There is another respect to which it is against *public policy* to permit a suit like this to be brought. Goldsmith appears to be clothed with the entire discretion as to when and under what circumstances to bring suit and when to compromise or settle for infringement. Spofford has denied himself all control in this respect although he has a beneficial interest and Goldsmith does not appear to have any. As was said by Judge Shipman in *Gregerson* v. *Imlay*, 4 Blatch., C. C. R. 503, 'This is detrimental to the peace of society and the safety of individuals and is against *public policy*'."

The real question at issue here is now presented to the court for the first time. That it is one of gravity and importance needs no further argument than the statement that if a precedent is established creating a new transferable interest in a patent grant, whereby a manufacturer who desires to suppress or annihilate competition may purchase from the owner of a patent, not any of the exclusive rights conferred by the patent grant, but the right only to involve another manufacturer in useless and expensive patent litigation, it will have but one result, *i. e.*, the promotion of litigation of this nature.

Litigation of the kind exemplified by this suit would serve no good purpose for anyone. It contemplates only to establish a new basis for law suits, which is contrary to the spirit and purpose of Article 1, Sec. 8, of the Constitution of the United States, is also contrary to the Fed-

eral Statutes covering patent grants, and to suits arising under the patent laws.

Under the law as well established and shown by the cases herein referred to, the equities in this case are all with the petitioner herein, and the bill should be dismissed.

Respectfully submitted,

FLORENCE KING,
Solicitor for Petitioner.

CHICAGO, Dec. 23, 1921.

IN THE

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, A. D. 1921.

CROWN DIE and TOOL CO.,
Petitioner,

vs.

NYE TOOL and MACHINE WORKS,
Respondent.

ANSWER AND BRIEF OF RESPONDENT IN OPPOSITION TO PETITION FOR CERTIORARI.

I.

The Decree Is Merely Interlocutory.

Plaintiff filed an ordinary patent bill (Rec. 2) alleging infringement and praying an injunction and accounting. The nature of plaintiff's interest in the patent was set forth in the bill of complaint in full, otherwise the bill was in the usual form. The bill shows that, whether or not plaintiff is technically an owner, it had the entire beneficial interest in the subject-matter of the litigation. (See Exhibit "A," attached to bill of complaint, Rec. 4.)

Defendant moved to dismiss, upon grounds substantially amounting to the charge that there was a technical non-joinder of parties appearing on the face of the bill, and the motion was granted. An appeal was taken to the Court of Appeals of the Seventh Circuit, which reversed the decree and remanded the case (Rec. 20) with directions to overrule the motion to dismiss and require the defendant to answer.

The case is now in an interlocutory stage; and the decree of the Court of Appeals is clearly interlocutory, in that it only orders an answer to the bill.

In the case of *Baldwin Company* v. *Howard Company*, U. S. Adv. Ops., page 501 (65 L. Ed. —), this court indicates a tendency to draw a strict jurisdictional line on the writ of certiorari and shows an intention to grant the writ only when the decree of the Court of Appeals is final. The present decree is clearly interlocutory, not only in time but in essence. It is not even in that intermediate group concerning which argument is possible.

II.

Plaintiff Is Real Party in Interest Under Equity Rule 37.

The decree of the Court of Appeals is sufficiently supported by the new equity rules, particularly Rule 37, which provides that every action shall be prosecuted in the name of the real party in interest. The plaintiff is the sole person beneficially interested in the recovery in this suit. The plain intent of this rule is to dispense with merely nominal parties who have no substantial interest.

The rule clearly covers patent cases, as well as others, and, of course, dispenses with the need for joining, as under the old rules, a merely technical owner.

In this cause, the District Court wrote an opinion, 270 Fed. Rep., 587, expressing complete agreement with plaintiff's position, and granting the motion to dismiss only because of the novelty of the question and the desirability of having it promptly reviewed without undue expense to the parties. The reversal in the Court of Appeals thus amounts to an affirmance of the lower court's reasoning.

The following paragraphs from Judge Carpenter's opinion indicate clearly what his real feeling was:

> "The real party in interest has brought the suit. Defendant claims that the owner of the patent is not a party. Such is not the fact. The owner of all the patent rights may not be a party, but the owner of all the patent rights necessary for a determinaton of this suit is the plaintiff. Equity rule 37 would seem to settle all difficulties on this point.
>
> "I am of the opinion that as a matter of law the motion to dismiss should be overruled. There are, however, serious considerations which lead me to a different result in this case.
>
> . . . . . .
>
> "For the purpose of enabling the parties to have justice speedily, and without any more purchase than

> is absolutely necessary, I believe the motion to dismiss should prevail, and it is so ordered."

We thus find the District Court (Carpenter) and three Circuit Judges (Baker, Evans and Page) unanimously supporting the bill, largely upon the ground that under the new rules a patent suit may be maintained, even though the plaintiff has no technical legal title. That this is the correct interpretation of Rule 37 is shown by the unanimous decision of the Court of Appeals of the Sixth Circuit in *Kardo Company* v. *Adams,* 231 Fed. Rep., 950, 958, where the rule is discussed as follows:

> "While that part of equity rule 37 (198 Fed., xxviii, 115 C. C. A. xxviii) taking effect February 1, 1913, providing that 'every action shall be prosecuted in the name of the real party in interest,' is not found in any previous equity rules made by the Supreme Court for the guidance of courts in equity cases, yet it is but the declaration of a rule in equity cases in the courts of the United States, which by statute of Ohio and generally in states which have adopted a code of civil procedure, prevails, and which, in cases at law, the courts of the United States follow."

It therefore follows that there is nothing of general public interest necessary to the decision of this case, and that there is really nothing in the case except a very rudimentary question of practice long settled by statute in the code states, to which the Federal equity practice has been made, in this respect, to conform. At best defendant's point is purely the technical one of non-joinder of a party plaintiff.

III.

Nature of Plaintiff's Rights Under the Patent Not Here in Issue.

Both in the lower court and in the Court of Appeals we discussed theoretically the nature of the plaintiff's rights under the patent in suit. This question may be of some interest but it is a secondary line of support for the bill, and is unnecessary to the support of the decree of the Court of Appeals and the reasoning of the opinion of the District Court. There is no good reason why this court should take the case, merely to consider an academic question, not necessary to the support of the decree, which is amply supported on other grounds. Of course, should the case be certified, we shall discuss fully, at the proper time, both the theories upon which the bill may be alternatively supported.

Conclusion.

For the foregoing reasons, it is urged that the petition for certiorari be denied.

W. H. DYRENFORTH,
GEORGE A. CHRITTON,
For Respondent.

RUSSELL WILES,
Of Counsel.

FILED
JAN 16 1923
WM. R. STANSBURY
CLERK

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, A. D. 1921.

No. 240

CROWN DIE & TOOL CO.,
Petitioner,

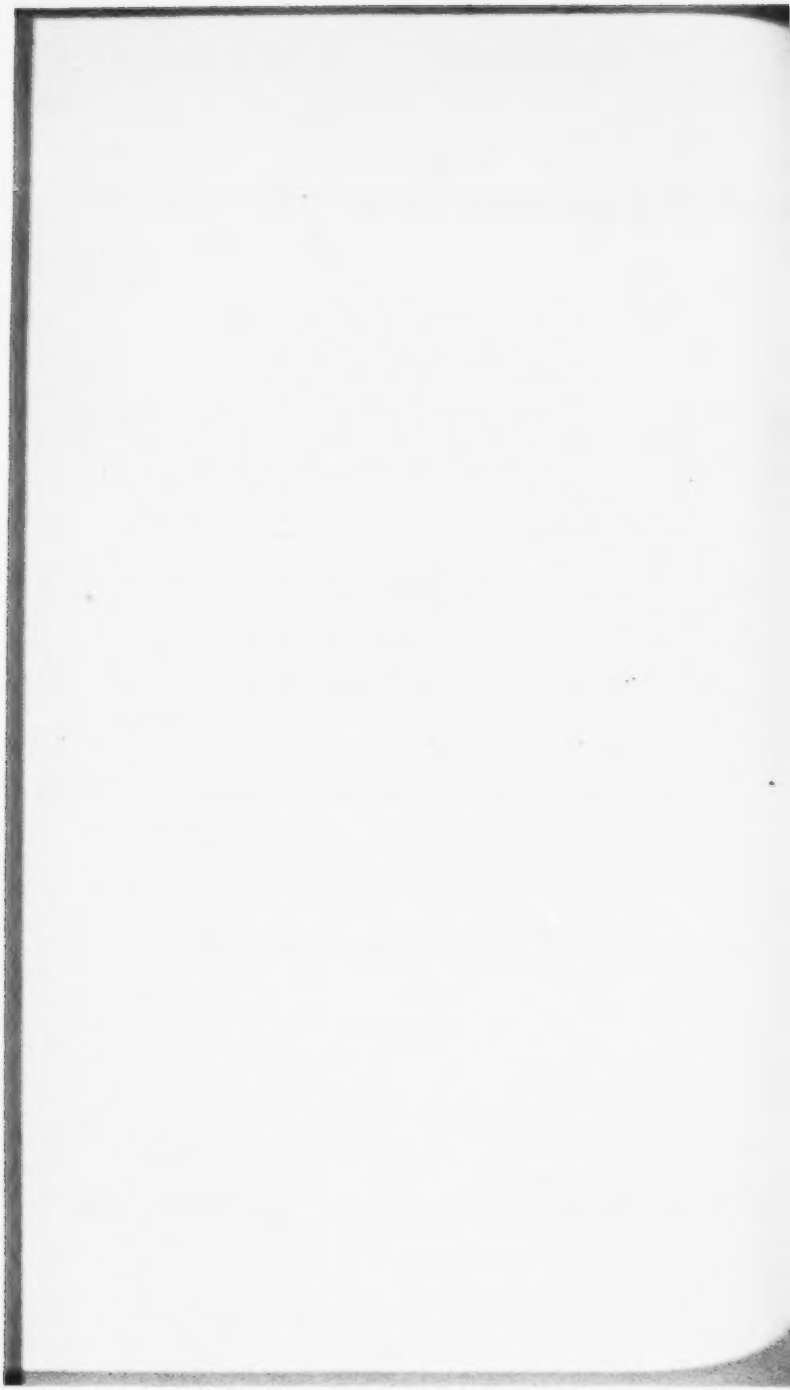
vs.

NYE TOOL & MACHINE WORKS,
Respondent.

PETITIONER'S ARGUMENT AND BRIEF.

FLORENCE KING,
Solicitor for Petitioner.

CHAMPLIN LAW PRINTING CO., CHICAGO



INDEX.

	PAGE
History	1
Statement and issues	3-13
"Exhibit A"	7
Requirements for injunctive relief	27
Law in this case	30
Opinion of the C. C. A.	40
Decisions referred to by C. C. A.	42
Constitution of the U. S., Sec. 8, Art. 1	13
Revised Statutes of the U. S.:	
Sec. 629	3
Sec. 4884	5-14
Sec. 4919	9
Sec. 4898	17-34
Public policy	45

Decisions Relied Upon.

Albright v. Teas	23
Blair v. Lippincott	40
Coleman v. American Co.	10
Consolidated Co. v. Newton	10
Davis v. City of Los Angeles	30
Defiance Water Co. v. Defiance	25
DeForrest v. Collins	32
Excelsior Co. v. Pacific Bridge Co.	24
Gaylor v. Wilder	12, 29
Germania Ins. Co. v. Wisconsin	24
Goldsmith v. Am. Paper Collar Co.	10, 12, 36, 45
Gordon v. Anthony	32
Haywood v. Andrews	12, 31
Moore v. Marsh	29

Pope Mfg. Co. v. Gormully 12, 29
Pratt v. Paris Gas Lt. Co..... 24
Robinson on Patents 31
Shreveport v. Cole 25
Southern Co. v. Fay Co..... 38
Waterman v. MacKenzie 12, 35

Cases Referred to by C. C. A.

Bloomer v. McQuewan 43
Continental Paper Bag Co. v. Eastern..... 43
Fuller v. Berger 43
Patterson v. Kentucky 43

IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1921.

No. 676.

CROWN DIE & TOOL CO.,
Petitioner,

VS.

NYE TOOL & MACHINE WORKS,
Respondent.

PETITIONER'S ARGUMENT AND BRIEF.

TO THE HONORABLE, THE SUPREME COURT OF THE UNITED STATES:

This suit was brought by the Nye Tool & Machine Works, a corporation of Illinois, against the Crown Die & Tool Co., also a corporation of Illinois, both doing business in Chicago, Illinois.

Bill of complaint filed by respondent herein in the United States District Court, Northern District of Illinois, charged petitioner with infringement of Letters Patent of the United States, No. 1033142, the entire right, title and interest in which was owned by the Reed Mfg. Co., of Erie, Pennsylvania, and prayed an injunction restraining "further infringement" of the patent, and for an accounting and damages.

The only evidence of title to the patent involved in this suit was a certain contract in writing identified as Exhibit "A," printed record, page 4, herein.

That in due order of pleading petitioner filed a motion to dismiss said bill of complaint (Tr. of Rec., pp. 6 and 7), giving notice in compliance with the statutes, and on February 3, 1921, a decree was entered dismissing the bill of complaint for want of equity.

The respondent herein appealed to the United States Circuit Court of Appeals on February 11, 1921, notice and citation were duly served, and said case was brought before the United States Circuit Court of Appeals in the Seventh Circuit for review and determination.

The case was heard before the Honorable Judges Baker, Evans and Page, in the United States Circuit Court of Appeals. On June 24, 1921, Judge Baker delivered the opinion of said court reversing the decree of the District Court: that said Circuit Court of Appeals filed its opinion in writing, the closing paragraph of which contained an order that the decree of the District Court be reversed (Tr. of Rec., pp. 20-24).

A petition for rehearing was then filed, and on October 27, 1921, said petition was denied.

Petition was then filed by the Crown Die & Tool Co., for a writ of certiorari to bring the case before this Honorable court for review and determination of the issues involved herein, which petition was granted.

A certified printed copy of the entire record of the case in the Circuit Court of Appeals has heretofore been filed in conformity to Rule 37 of this court relative to cases from Circuit Courts of Appeals. Said certified printed copy contains all of the proceedings had before the District Court and the Circuit Court of Appeals in said case.

STATEMENT.

There are two principal issues involved in this case, viz.:

1. That the complainant herein does not have legal title to the patent involved in this litigation, and therefore under section 4919, Revised Statutes of the United States, cannot maintain a suit for infringement.

2. That a Federal court does not have jurisdiction.

This is not a suit arising under the patent laws, the subject-matter of the litigation lacking the essentials to bring it within the statutes relating to patents, to give jurisdiction to the Federal court, and there being no diversity of citizenship, all parties being residents of the State of Illinois.

Sec. 629 of the U. S. Revised Statutes provides that:

> "The Circuit Courts shall have original jurisdiction as follows: * * * Ninth. Of all suits at law or in equity arising under the patent or copyright laws of the United States."

This is a suit brought by the respondent against your petitioner (both parties being domiciled at Chicago, Illinois) upon a contract made by the respondent with the owner of patent number 1033142 to recover alleged profits and damages arising out of the assumed infringement of a patent by your petitioner, the entire right, title and interest to the patent involved being vested in parties who are not involved in the litigation. Respondent herein has no interest, either by grant or license—owns no right in the monopoly granted under Rev. Stat., Sec. 4884, to the owner of the patent, *to make use or vend* the invention in any part of the United States.

The bill of complaint filed by respondent in this case (Tr. of Rec., pp. 2-4) recites the application for and the granting of Patent No. 1033142 to the Reed Mfg. Co., which company undertook to convey to the respondent the right to sue for and collect any damages or profits which may have arisen or may arise by reason of the alleged infringement of said patent by your petitioner.

The written contract is set forth in full in the transcript of record (pp. 3-4), identified as "Exhibit A," represents all that the respondent in this case can claim under the patent in suit. This alleged transfer of an "interest" in the patent is clearly not an undivided part of the undivided patent, not an undivided part of the entire interest in the patent for a specified territory. Respondent therefore having less than the legal title to the entire patent, or an undivided part of the entire interest in a specified territory, has no right either to make use, or vend the patented machine, and cannot legally maintain a suit under the Federal laws for infringement of the patent.

If, in determining the issues in this case, questions of infringement or validity of the patent in suit should arise, they are ancillary to respondent's right of action, which is limited to the collection of the alleged unproven claims for damages and profits only. The Federal court therefore has no jurisdiction of the subject-matter.

Before filing suit in the District Court respondent assumed the validity of the patent in suit, which has never been in litigation, as definitely established; and respondent assumed in paragraph 4 of the bill of complaint (Br. Rec. 3) "that the defendant has infringed said patent within six years last past, by making, using and selling devices containing the invention of said patent and the claims thereof."

All the court was asked to do was to issue an injunction restraining "further infringement," and compel your petitioner to account for profits and pay damages to respondent, who has not now and never has had any right, title or interest in the patent in suit, subject to protection by injunction.

This suit is brought by a corporation having no legal or equitable title to the patent, but invokes the aid of the court to enforce against a competitor in business an assumed decree, and to issue an order enjoining your petitioner herein from "further infringement"; when the truth is that no infringement has ever been decreed against your petitioner.

Section 4884 of the Revised Statutes of the United States reads:

> "Every patent shall contain a short title or description of the invention or discovery, correctly indicating its nature and design, and a grant to the patentee, his heirs or assigns, for a term of seventeen years of the exclusive right to make, use and vend the invention or discovery throughout the United States and the territories thereof, referring to the specification for the particulars thereof."

The certificate accompanying every patent granted by the United States contains the above language over the seal of the United States Patent Office and the signature of the Commissioner of Patents. The language of the statute is not ambiguous. The Supreme Court of the United States has repeatedly and uniformly defined a patent grant and held it to be just what the statute states it to be,—"the exclusive right to make, use and vend the invention throughout the United States and the territories thereof" for a period of seventeen years.

To enforce the exclusive right which the Government grants requires the owner to invoke the aid of the courts

if those rights are violated. Whether this case be argued under the old Equity Rules, which are now obsolete, or under the new Equity Rules, to find a pretext for the question presented to this court, should make no difference in the interpretation of the statute.

The first ground of dismissal of the bill is that respondent herein had no title to the patent sued on, and this was found sufficient for the dismissal of the bill in the District Court.

This case, wholly unlike a patent infringement suit, is built entirely upon a theory contrary to and in violation of the statutes of the United States, in denying what it is expressly stated the statute grants to the inventor, i. e., the exclusive right to *make, use and vend* his invention.

Respondent sought in this suit to negative the plain statement of the statute and distort its language to provide, in addition to the grant to the inventor or owner of the exclusive right, to *make, use and vend* the invention, an additional grant by which the inventor or owner of the patent might carve out of the patent a right alleged to be transferable to a third party, whereby suit for damages might be prosecuted without placing in jeopardy either the title or validity of patent involved.

Of course the owner of the patent must invoke the aid of the court to protect the exclusive right to make, use and vend granted to him if his rights are violated, just as it is necessary in all cases where redress is sought for wrongs and injuries of all kinds through the courts, but it is clear that the statute never contemplated parcelling out the remedy for violation of the patent grant to third parties, as a transferable "interest" in the patent.

Respondent has contended that the Patent System creates "rights to exclude" which are used for no other

purpose than to hamper or impede competitors and no plaintiff in a patent suit need apologize for his motives when he says frankly that he desires to use a patent right against a competitor.

The principal difficulty with respondent's suit is that it owns no patent right, and has not placed itself legally in position to test the validity of the patent in suit, which must be done before infringement can be decreed.

It was contended in the courts below that the Reed Manufacturing Company could maintain this suit and the defendant would have to defend. Respondent assumed a condition which was not before the court. The Reed Company owning the patent could bring suit for infringement, but the fact remains that the Reed Company has owned the patent ever since it issued, July 23, 1912, and has known petitioner was its competitor in the manufacture of dies, and never made any claim of infringement.

"Exhibit A" (Rec., pp. 4 and 5).

A careful analysis of "Exhibit A" discloses that there was an attempt made by the Reed Mfg. Company to transfer to the respondent herein:

> First: "All claims recoverable in law or in equity whether for damages, profits, savings or any other kind or description which the Reed Mfg. Company has against the Crown Die and Tool Co., arising out of the infringement by the Crown Die and Tool Co., of the Wright and Hubbard Patent No. 1033142."

By the above clause in this document only the claims which the Reed Company might have against the Crown Die and Tool Co., are attempted to be transferred. No claim can possibly be recoverable in advance of a decree against the Crown Die and Tool Co., finding infringement; no such decree has ever been entered in any court or even sought by the legal owners of the patent.

Further, if such infringement had been decreed against the Crown Die and Tool Company, the parties herein being both domiciled in Chicago, the United States Court would be without jurisdiction in a suit for the recovery of such a claim.

> Second: "For the same consideration, assigns and sets over all the rights which it now has arising from said patent of excluding the Crown Die and Tool Company from the practice of the invention of said patent, the intention being that in so far as concerns the exclusion of the Crown Die and Tool Company of said patent, the Nye Tool and Machine Works shall be vested with as full rights in the premises as the Reed Mfg. Company would have had had this assignment not been made."

There is no statute which defines such a "right" as is attempted to be conveyed by "Exhibit A." The Reed Company undertook to divest itself of a "right under said patent," and at the same time to retain all of the exclusive rights to *make use and vend* which the government granted by the issuance of the patent as defined in section 4884 of the Revised Statutes.

The conveyance or attempted conveyance by the Reed Company is clearly contrary to the spirit, the purpose and the language of the Patent Law.

Respondent attempted to create a new and divisible "right" in a patent by classifying the remedy for violation of the patent grant, as a "right to exclude" which "right" only exists in a patent by reason of ownership of the exclusive right to make use and vend, granted to the patentee, and to establish which the owner must first secure a decree finding infringement. Until infringement is decreed, no "right to exclude" can possibly exist even in the owner of the patent.

> Third: "That the Nye Tool and Machine Works has the full right to bring suit on said patent, either

> at law or in equity against said Crown Die and Tool Company and for its own benefit to exclude the Crown Die and Tool Company from practicing the invention of said patent and for its own use and benefit to collect damages which may arise by reason of the future infringement of said patent by the Crown Die and Tool Company."

Section 4919 of the Revised Statutes of the United States reads:

> "Damages for the infringement of any patent may be recovered by action on the case in the name of the party interested either as patentee, assignee or grantee."

Respondent herein is neither *patentee, assignee* or *grantee,* and the "right to bring suit on said patent" which the Reed Company attempted to convey by the document identified as "Exhibit A" in this case is contrary to the statute and is therefore illegal, and void.

Equity Rule 37 cannot by the language "every action shall be prosecuted in the name of the real party in interest," be interpreted to override the statute and include other parties, than are specifically named therein.

Respondent herein being neither the *patentee, assignee* or *grantee* clearly cannot under the law justify an action in equity to restrain "the further infringement" of a patent in which it is not now and never has had any legal or equitable interest,—a patent for the infringement of which respondent cannot assert any right or sustain any injury.

If respondent attempted to *make, use* or *vend* the invention of the patent in suit, it would violate every right granted the patentee and be liable to a suit for infringement.

Federal Courts have repeatedly held Equity Rule No. 37 to mean by "the real party in interest" a party having a legal interest. See:

Consolidated Gas Co. v. *Newton*, 256 F. R. 238.
Coleman v. *American Co.*, 235 F. 531.
Tutley v. *Triangle Film Corp*, 229 F. 297.
Goldsmith v. *American Paper Collar Co.*, 2 F. 239.

Liberally interpreting "Exhibit A" it must be conceded that all that the Reed Company conveyed, or attempted to convey to appellant herein was the right to sue and recover damages and profits of a competitor. The Federal Court then is clearly without jurisdiction, respondent having a complete remedy at law in the State Court, if it has any cause of action.

Sec. 4921, R. S., enables a court of equity to protect a patentee and his legal representatives in the exclusive enjoyment of the right to *make, use* and *vend* the invention and respondent having no such right in the patent or invention, it has no "right" which a Federal Court of equity can protect.

To protect itself in the exclusive enjoyment of the right to *make, use* and *vend* the invention of the patent, the Reed Mfg. Company could bring suit in equity to protect its monopoly, but to retain the exclusive right to *make, use* and *vend* the device covered by the patent in suit and transfer to any one else the remedy for the alleged violation of that right, is clearly contrary to the statute and contrary to all previous decisions of this Honorable Court in cases involving this question.

The Supreme Court of the United States forty years ago definitely settled the question now before this court in the case of *Waterman* v. *McKenzie*, 138 U. S. 255, referred to on pages 35-36 in this brief.

Respondent contends that the Reed Company had the right to sell its claim for past damages. Petitioner contends that before such a claim could be sold or transferred it must first be determined whether or not the Reed Company has a claim for past damages by securing a decree finding the defendant guilty of infringement of the patent, which in this case has never been done, and which could only be done in a suit filed by the owner of the patent.

If the Reed Company had secured a decree and reduced its claim to judgment against defendant, there is no question but that that claim could be sold.

The language of Section 4884 of the Revised Statutes of the U. S. is clear. The Supreme Court of the United States has repeatedly held that a patent granted to the patentee the exclusive right to *make, use* and *vend* the thing patented; that the monopoly thus granted is one entire thing and cannot be divided into parts except as authorized by law, either the whole patent, an undivided part of the patent, or an exclusive right under the patent to do what the patentee could do within a specified territory.

That the owner of a patent, its validity once established by the court, has the right to exclude infringers is admitted; but that the "right to exclude" infringers before a decree finding infringement has been entered represents a right or a transferable interest in the patent, is denied.

The "right to exclude" is simply the *owner's* right of action for trespass by an infringer which is inherent and inseparable from ownership of the patent or franchise itself.

The imaginative theory upon which this case is founded, if sustained, would establish a precedent which would not only permit any one to arbitrarily assume the

function of the court in declaring a patent valid and infringed, but would go further; it would permit any one desiring to involve a competitor in prolonged and expensive litigation to do so, if he could find the owner of a patent, no matter whether the patent is valid or not, who would, as evidenced by "Exhibit A" in this case, transfer an imaginative "right to exclude" a competitor.

The purchaser of the alleged "right to exclude" could then settle all questions as to the title, validity and infringement of the patent, proceed to collect alleged damages and profits from his competitor, and for an indefinite length of time annoy and harass any competitor whom he might desire to force out of business by endless litigation.

That ownership of title is necessary to support a suit in equity is well settled in

Gaylor v. *Wilder*, 10 Howard 477
Waterman v. *McKenzie*, 138 U. S. 252.
Goldsmith v. *American Paper Collar Co.*, 2 F. R. 239.
Pope Mfg. Company v. *Gormully Mfg. Co.*, 144 U. S. 248, and
Other cases hereinafter referred to.

In *Hayward* v. *Andrews*, 106 U. S. 672, the court held:

> "An assignee of chose in action, as a patent right, cannot proceed by a bill in equity to enforce for its own use the legal right of his assignor merely because he cannot sue in his own name."

The Supreme Court of the United States has repeatedly and uniformly defined the patent grant. Respondent is now before this court with a suit to define what a patent grant is not.

No decisions were presented in previous hearings of this case to show that the "right to exclude" exists apart

from ownership of the patent itself as contended for respondent. It is obvious that it was never the intention of Congress, in granting a patent to one person, to grant to another the remedy for violation of that patent grant.

The Issues in This Case.

The issues in this case involve the construction and interpretation of the Constitution of the United States and of the Federal Statutes, and depend, for a full determination of the rights of the parties to the suit, upon the construction and interpretation of Article 1, Sec. 8, Constitution of the United States, and of Sections 629, 4884, 4919 and 4898 of the Revised Statutes of the United States.

The Constitution of the United States, Art. 1, Sec. 8, provides that:

> "The Congress shall have power to promote the progress of science and useful arts by securing for limited times to authors and inventors, the *exclusive right* to their respective writings and discoveries."

The spirit and purpose of this section of the Constitution has always been interpreted to stimulate the making of inventions designed to be used for public benefit, and not for the purpose of enabling the inventor or owner of a patent to parcel out and sell to others "rights to exclude" for the sole purpose of promoting litigation and thereby suppressing competition in business. The contract forming the basis of this suit exemplifies the attempted creation of a new monopoly under the patent grant, whereby one manufacturer may harass a competitor by expensive litigation involving a patent, the legal title to which is owned by parties not in court, and a decree respecting which would not be binding upon the

owner. The effect of such litigation would be truly to *prevent* instead of "*promote* the progress of science and useful arts," as contemplated by the Constitution.

Section 4884 of the Revised Statutes of the United States provides that:

> "Every patent shall contain . . . grant to the patentee, his heirs or assigns for a term of seventeen (17) years of the *exclusive right* to *make, use* and *vend* the invention or discovery throughout the United States or the territories thereof."

The contract, "Exhibit A," which forms the basis of this suit, shows that the respondent herein is not in possession of any of the "*exclusive rights* to make, use or vend" granted by the patent in suit, and therefore has no interest in the patent which a court of equity can protect.

The "right" which was attempted to be conveyed in "Exhibit A" can find no authority for its existence under the statutes of the United States which created the patent, and legally the right to sue for infringement does not exist apart from ownership.

Parties cannot by their own agreement change the rule of law, which under Revised Statutes, Sec. 4919, is:

> "Damages for the infringement of any patent may be recovered by an action on the case in the name of the party interested, either as patentee, assignee or grantee."

Under the decisions of this court, it has been uniformly held in the construction and interpretation of Sec. 4919, Rev. Stat., that the word "assignee" is used to mean the "assignee of patent rights," and does not extend to the assignment only of unproven claims for damages and profits which may accrue to the owner out of an alleged infringement of the patent.

This suit is not in the form of an "action on the case for damages," but clearly in the form of a bill in equity

seeking to restrain an alleged infringement, and praying an injunction against your petitioner restraining further alleged infringement of a patent owned by parties not in court; without requiring the court to find title in respondent, or validity and infringement of the patent, all of which the law requires to be done before damages can be assessed.

The learned Judge of the Circuit Court of Appeals who rendered the opinion in this case has held in a former decision to which reference is made herein (pp. 40-42), that the patent monopoly is created by the Act of Congress, and no rights can be acquired in it unless authorized by statute and in the manner therein prescribed.

If there is a statute defining "the right to exclude," as a "property" right which is "made devisible and assignable at the will of the owner," no reference is made to that statute in the entire record in this case in support of respondent's contention nor in the opinion of the Circuit Court of Appeals.

The Circuit Court of Appeals erred in this case in holding—

> "Jurisdiction in equity to enjoin trespasses upon property is unquestionable. When that equitable jurisdiction is invoked, the Chancellor will hear and determine in the same suit the matter of damages that accrued from the trespasses during the plaintiff's ownership of the property and within the period of limitations."

This being a case which does not arise under the patent laws, equity cannot take jurisdiction simply because respondent filed this bill and attempted to invoke the aid of a court of equity to enforce an unconscionable contract under the guise of a suit for infringement in an attempt to collect damages in advance of establishing infringement.

Respondent owned the contract on which suit is brought just ten days prior to filing suit. Damages accruing during that period of ownership would not amount to enough to give the court jurisdiction; and respondent's "rights" extend only to prospective claims of damages and profits. The Federal Court, under Rev. Stat. 629, has no *original jurisdiction* of the subject-matter.

Sec. 4919 does not confer upon parties having neither the right to *make, use or vend* the patented machine the right to test the validity of a patent owned by parties who are not in court.

The Circuit Court of Appeals in its opinion in this case refers to the inventor's natural or common law right, and states:

> "It is clear to a demonstration that the natural or common law right and the statutory right are separate and independent. Neither infringes upon the other."

An inventor can make, use and sell his invention under his common law right, but he cannot enjoin others from making, using and selling the same thing. It is the ownership of the patent grant which enables him to enforce his "rights of exclusion"; apart from ownership he would stand in precisely the same position as when practicing the invention under his natural or common law right.

Congress has enacted no statute enabling the owner of a patent to transfer greater or different rights than the inventor possessed without the patent. In the present case respondent owns no rights to the invention covered by the patent, but if permitted to maintain this suit, respondent will be doing, without any of the rights granted to the patentee, what the inventor could not do without the patent grant.

The Circuit Court of Appeals erred in this case in holding—contrary to all precedents heretofore established by this court—that a complainant who has no right, title or interest in a patent can maintain a suit for infringement of that patent; the owner of the legal title to the patent involved herein is not a party to the litigation.

Section 4898 of the Revised Statutes provides that:

> "Every patent or any interest therein shall be assignable in law by an instrument in writing."

The Circuit Court of Appeals (p. 23, Rec.) has interpreted this section of the Federal Statute to include the patent owner's imperfect, incorporeal "right to exclude" as a "property" which may be made divisible and assignable at the will of the owner.

This is a travesty upon every rule of law heretofore established by this Honorable Court in considering and interpreting Section 4898, Rev. Stat.

If this decision is affirmed, it will establish a new and dangerous precedent whereby the patent owner's imperfect, incorporeal, right to exclude may be transferred, independently of the statutory

> "grant to the patentee, . . . of the exclusive right to make, use and vend the invention."

This would enable a non-owner to indirectly utilize the "exclusive rights to make, use and vend" granted by the Government, for the sole purpose of promoting litigation to prevent competition in business.

Contract "Exhibit A" forming the basis of this suit does not grant to respondent the right to test the validity of the patent on which suit is brought; nor to determine the question of whether or not the machines manufactured by your petitioner infringe the Reed patent

in suit; decision of these questions are conditions precedent to the right to any damages, even though the patent owner was complainant.

The vast sums of money claimed to be due by the respondent, Nye Tool and Machine Works, of your petitioner by reason of this contract and the finding of the Circuit Court of Appeals, and the peril to your petitioner's entire property, assets and business, under claims made by reason of this decision of the Circuit Court of Appeals, makes this case not only a matter of gravity and importance to your petitioner, but it would establish a dangerous precedent, jeopardizing the value of patent grants, and would precipitate endless litigation of this nature in the future.

Since the decision of the Circuit Court of Appeals in this case, and pursuant to the finding of said court, the respondent, Nye Tool and Machine Works, filed a second suit, an action at law in the same District Court, against your petitioner, in which the amount of damages asked of your petitioner is two hundred fifty thousand dollars ($250,000). In that case, as in the present case, respondent assumes all facts as to the validity and infringement of said letters patent to have been adjudicated, and prays an assessment of damages against your petitioner, amounting, if such demands are recognized, to a sum equal to more than the entire property assets of your petitioner.

It is respectfully submitted that this entire proceeding is contrary to law and equity, and in the interest of justice and well settled legal principles, the patent laws of the United States should not now be reversed.

The record in this case is clear that the present legal owner of the patent does not bind itself not to sell said patent, and any future owner of the patent would have

the same recourse to protect the exclusive rights to *make, use and vend* the invention that its present owner has, and could proceed to enforce those exclusive rights through the courts against your petitioner if it so desired.

Petitioner has a right under well-established rules of law to be placed in position to have settled for all time in one litigation any question respecting the alleged charge of infringement. No decree entered in the present case would be binding upon the Reed Mfg. Company, legal owner of the patent in suit. Law and equity demand that all who have rights in the subject-matter in controversy shall be parties to the suit, in order that there be an end to litigation.

In the present suit an attempt is made to divide the patent into fractional interests which, it was represented on behalf of respondent and considered in the court below, was an effort to institute a new method or system of handling patent interests, designated on behalf of respondent as a division of the patent rights on "personal lines." By way of explanation it was represented on behalf of respondent at previous hearings of this case that the authorities cited by your petitioner contained expressions made by courts without having in view this new way of dividing the patent; that the court's mind seemed inconsistent with the validity of the contract "Exhibit A"; but, it was contended on behalf of respondent, those expressions of the court were *unimportant* because based upon situations not only different in fact, but different in principle from the present case.

The statutes of the United States have repeatedly defined the different interests in a patent which are transferable, as (1) a transfer of the whole patent; (2)

of a territorial fraction of a patent; or (3) an undivided interest in the whole patent.

The issues here are based upon respondent's attempt to create and litigate a fourth interest in a patent which has never heretofore been recognized to exist separate from the patent grant.

It is the contention of petitioner:

First, that without amending the Constitution which specifically provides for the *promotion* of science and the useful arts, by an enactment granting power and authority to certain persons to prevent competition in the promotion of science and the useful arts, this suit cannot be legally maintained; and

Second, without creating statutory authority whereby the right of protection may be divided into a separate estate, transferred, and utilized by outside parties to promote litigation against competitors, such a contract or instrument as "Exhibit A" can have no legal status in a court of justice.

The learned judge who rendered the opinion of the Circuit Court of Appeals, referring to Sec. 4898, R. S. (Opinion, p. 23), stated:

> "Congress, having full constitutional power over the subject, could have provided that a patent should be non-assignable, or, if assignable, that it should be assigned only as an entirety."

But Congress did not so provide.

It would likewise logically follow that Congress, having full constitutional power over the subject, instead of reciting in each patent grant that:

> "The letters patent are to grant . . . the *exclusive right to make, use and vend* the said invention throughout the United State and territories thereof."

Could have provided that:

> "These letters patent are to grant . . . the exclusive right *to exclude all other persons from* making, using and vending the said invention. . ."

But Congress did not so provide.

It is clear that the purpose of Congress was to *promote*, and not to *prevent*, the development of inventions through the medium of the patent grant, and not to stimulate litigation between manufacturers.

It is respectfully submitted that the issues of this case presented by the respondent are in violation of the Constitution of the United States, the acts of Congress respecting the rights of owners of patents, and of every principle of equity founded thereon.

The decision of the Circuit Court of Appeals should be reversed because it failed to follow or to give force or effect to the well established rules of law and decisions of this court on the legal propositions involved, as they are set forth herein, which include on pages 40-42, reference to a decision previously made by one of the judges who decided the present case, wherein Sec. 4919, R. S. was given an entirely different interpretation than is now given to it. See *Blair, et al.* v. *Lippincott*, 52 F. R. 226.

The effect of the decision of the Circuit Court of Appeals in this case could only be to generally discourage invention and the commercial development of patented articles.

Respondent seeks by this litigation to enlarge the patent monopoly, whereby the owner of a patent may not only retain the whole of the "exclusive right to *make, use and vend*" the invention, but may also simultaneously transfer the remedy for the violation of the

right of making, using and vending the same invention, separate and apart from the patent grant.

It is contended on behalf of petitioner that there is a basic principle involved in this litigation which strikes at the heart of industrial development. This expansion of the patent monopoly, if upheld by the Supreme Court of the United States, would be of great value to large manufacturers of patented devices, as it would provide an entirely new weapon with which to annihilate competition. A sufficient investment in patent litigation would enable any manufacturer to so involve competitors in patent litigation that their business would become unprofitable. Thus, in effect, the new monopoly now sought to be extracted from the patent grant would operate in restraint of trade, and would stifle and destroy free competition.

If not reversed, the decision herein will establish a precedent of great concern to all manufacturers of patented articles, and which undoubtedly comes within that class of cases which the Supreme Court has repeatedly held to be of great public concern; one which involves the interpretation of our patent laws, either upholding precedents heretofore established by this court, and uniformly followed by all Federal Courts, or it will form a new precedent which will create a basis for endless patent litigation.

The jurisdiction of the court in this case can be determined only by an interpretation of the Federal Statutes granting original jurisdiction to Federal Courts in all cases arising under the patent laws.

It is contended on behalf of petitioner that this is a suit on a contract, and is not a case arising under the patent laws, and, therefore, the parties to the suit, all being residents of the State of Illinois, the Federal Court has no jurisdiction.

Osborn v. *Bank of U. S.*, 9 Wheat. 738:

> "If, from the questions, it appears that some title, right, privilege or immunity on which the recovery depends will be defeated by one construction of the constitution or a law of the U. S., or sustained by the opposite construction, the case will be one arising under the constitution or laws of the United States within the meaning of that term as used in the act of 1885, otherwise not. Such is the effect of the decision on this subject."

In the present case, if the Constitution and the Revised Statutes are given the interpretation heretofore established by this court, the respondent herein would have no cause of action against this petitioner; but under the interpretation given to the Revised Statutes, especially Sec. 4919 thereof, by the Circuit Court of Appeals for the Seventh Circuit, a new precedent is established which admits the jurisdiction of the Federal Court and at once is in conflict with previous decisions of this court.

Albright v. *Teas*, 106 U. S. 550:

> "The only complaint made in the bill is that the appellants were fraudulently excluding the appellee from an inspection of their books of account, and refused to pay him sums due for royalties under his contract. And the prayer of the bill was for a discovery, an account of what was due appellee under his contract and a decree for the amount found to be due him. *On the face of the bill therefore, the case is not one arising under the Patent Laws of the United States.*
>
> "It does not appear that there is any dispute whatever between the parties in reference to the construction of the patents of the appellee. The controversy between them is stated by the appellants themselves, is whether certain goods manufactured by them embodied the invention covered by appellant's patents. This does not necessarily involve the construction of the patents. . . . The case cannot therefore be said to be one which grows out of the legislation of Congress. Neither party asserts any right,

privilege, claim, protection, or defense founded in whole or in part on any law of the United States. We are therefore of the opinion that even if we go outside the pleadings and look into the testimony, the case is not one arising under the laws of the United States, and consequently that the courts of the United States had no jurisdiction to entertain it."

Excelsior Wooden Pipe Co. v. *Pacific Bridge Co.*, 185 U. S. 282, the court held:

"If a bill be brought to enforce or set aside a contract, *though such contract be connected with a patent, it is not a suit under the patent laws* and the jurisdiction of the Circuit Court can only be maintained upon the grounds of diversity of citizenship."

In *Pratt* v. *Paris Gas Light Co.*, 168 U. S. 62, the court held:

"The action under consideration is not one arising under the Patent Laws of the United States in any proper sense of the term. *To constitute such a case, the plaintiff must set up some right, title or interest under the patent laws, or at least make it appear that some right, or privilege will be defeated by one construction, or sustained by the opposite construction of those laws.*" *Starin* v. *City of New York*, 115 U. S. 248

Germania Ins. Co. v. *Wisconsin*, 119 U. S. 473:

"There is a clear distinction between a *case* and a *question* arising under the Patent Laws. The former arises, when the plaintiff in his opening pleading, be it a bill of complaint, or declaration, sets up a *right* under the patent laws as ground for the recovery. Of such the State Courts have no jurisdiction. The latter may appear in the plea or answer, or in the testimony. The determination of such a question is not beyond the portent of the State tribunals.

"While the question has never arisen in this Court in the exact form presented in this case, *we have repeatedly held that the Federal Courts have no rights, irrespective of citizenship to entertain suits for the*

amount of an agreed license or royalty or for the specific execution of a contract for the use of a patent, or of other suits where the subsisting contract is shown governing the rights of the party in the use of the invention, and that such suits not only may, but must, be brought in the State Courts."

The present suit comes under the law as stated by this court in *Defiance Water Company* v. *Defiance*, 191 U. S. 184:

"It must appear in the record, by a statement in legal and logical form, such as is required in good pleading that the suit is one which does really and substantially involve a dispute or controversy as to a right which depends on the construction of the Constitution or some law or treaty of the United States, before jurisdiction can be maintained on this ground.

"We regard this bill as an attempt to evade the discrimination between suits between citizens of the same state, and suits between citizens of different states established by the Constitution and laws of the United States, by bringing into the Circuit Court controversies between citizens of the same state, and an evasion which it has been the constant effort of Congress and this court to prevent. *Bernard's Township* v. *Stebbins*, 109 U. S. 341; *Shreveport* v. *Cole*, 129 U. S. 36.

"The decree is reversed at appellant's cost and the case remanded with instructions to dismiss the bill for want of jurisdiction."

In *Shreveport* v. *Cole*, 129 U. S. 36, this court held:

"In cases originally brought in the Circuit Court or by removal from the state court, it is made the duty of the state court to dismiss or remand the same whenever it appears that the suit does not really and substantially involve a dispute or controversy properly within its jurisdiction, or that the parties to the suit have been improperly or collusively made or joined either as complainants or defendants for the purpose of creating a case cognizable or removable. As remarked in *Bernards* v. *Stebbins*, 109 U. S. 353, it has been the constant effort of Congress and of this

> court to prevent the discrimination in respect to suits between citizens of the same state and citizens of different states established by the Constitution and laws of the United States, from being evaded by bringing in the Federal Courts controversies between citizens of the same state. We regard this suit as an evasion of that character. The judgment of the Circuit Court is reversed and the case remanded with directions to dismiss the petition."

The bill of complaint filed by respondent in the Federal Court does not pray the court for a decree finding legal title to the patent in suit in complainant, or that the patent is valid, or that the patent in infringed; but does pray for an injunction to protect property rights vested by law in parties not in court, and for assessment of damages and profits against the defendants.

Requirements for Injunctive Relief in Patent Cases.

Injunctive relief in equity will be granted to prevent an injury to the rights or property of complainant, and it is incumbent upon a complainant demanding a writ of injunction to restrain a defendant from alleged infringement of a patent, that said complainant must come into court with an interest showing a *legal right* under the patent which is subject to protection by injunction, and showing also that the true purpose for the writ is one appealing to a court of equity.

In the present suit the patent involved is owned by the Reed Mfg. Company who is not in court and, as will be seen by reference to the contract, "Exhibit A," has not transferred any of the exclusive rights to *make, use and vend* the device of the patent to the respondent, which would be subject to protection by injunction.

Nye Tool and Machine Works, respondent, on the other hand, owning no legal interest in the patent, is attempt-

ing, with the aid of a court of equity, to secure an injunction restraining your petitioner from *making, using and vending* machines which are alleged to infringe the patent owned by the Reed Mfg. Company.

In prosecuting this suit, the respondent has assumed the legal status of the owner of the patent grant, and asks the court to so recognize this alleged status, failing to apprehend the fact that a purchaser who buys from the patentee the naked right to promote litigation by bringing suit to collect damages and profits in advance of an adjudication of the legal rights involved is not by law given the legal status of the patentee or owner.

The patentee at the time his patent issues has a natural right to practice his invention, and his patent monopoly permits him to protect his right by excluding all others.

The patent vests in the owner two things which are vital to his standing in a court of equity, *i. e.*:

(1) The exclusive right to *make, use and vend* the invention; and

(2) The equitable remedy by injunctive relief for the violation of that right.

The granting of the patent took away from all others, save the patentee and his assigns, the right to *make, use and vend* the invention, and as the injunctive relief is *solely for the protection of the patent owner against violation of these exclusive rights,* it is not and cannot be a property separate and divisible from the patent at the will of the owner. If, as in the present instance, it is to be separated and divided from the patent, the owner of the patent is—in advance of a violation of his exclusive rights—selling the remedy incidental to the protection of the "exclusive right to *make, use and vend,*" retaining all of the exclusive rights of the patent grant.

This is contrary to the spirit and purpose of the Constitution and of the Revised Statutes of the United States respecting the patent grant.

Respondent herein is not entitled to maintain an action which might result in having the letters patent herein declared invalid, and no cause of action entitling respondent to such relief is stated.

Every suit charging infringement of a patent requires the court to decide three essential facts before a writ of injunction will issue, viz.:

1. That the complainant is owner of the legal title;
2. That the patent is valid;
3. That the patent has been infringed by the defendant.

The prayer for relief in the present case (Trans. of Rec., p. 4) does not ask the court's decree as to title, validity or infringement of the patent.

These three points *must* be decided in the affirmative before the *owner* of a patent is entitled to injunctive relief in a court of equity. From the record in this case it is plain that these points are not to be adjudicated in this suit.

It is therefore conclusive that this is not a suit arising under the patent laws. Also it is not a case, the parties being residents of the same state, coming within the jurisdiction of a Federal Court.

In the court below respondent interpreted the document "Exhibit A" (Rec. 4-5) as an assignment transferring to respondent herein an "interest" in the patent, and attempted to bring respondent within the requirements of Equity Rule 37 as "the real party in interest."

While Equity Rule 37 provides that

> "every action shall be prosecuted in the name of the real party in interest,"

the clear purpose of this rule is to prevent the necessity of joining as parties those who have merely a pecuniary interest in the action. It cannot be assumed that the Supreme Court had for its purpose to render R. S. Sec. 4919 inoperative and to change the whole meaning of its prior decisions defining what "interest" is meant. An interpretation of the rule as set forth in numerous cases plainly shows that the "interest" asserted by a plaintiff under Sec. 4919, Rev. Stat., must be a *legal interest in the patent grant.*

In *Moore* v. *Marsh*, 7 Wallace, 515, this court decided who are "parties interested":

> "Correct interpretation of the words, 'person or persons interested,' is that the words mean the person or persons interested in the patent at the time when the infringement was committed, which is the cause of action for which the damages may be recovered."

And in *Gaylor* v. *Wilder*, 10 Howard, 469:

> "Unquestionably, a contract for the purchase of any portion of the patent right may be good as between the parties as a license and enforced as such in the courts of justice. But the *legal right in the monopoly remains in the patentee and he alone can maintain an action against a third party to contest an infringement upon it.*" Following *Blanchard* v. *Eldridge*, 1 Wal. 337.

To hold that respondent in the present case had a legal "interest" in the patent monopoly would be contrary to all previous decisions.

In *Pope* v. *Gormully Mfg. Co.*, 144 U. S. 238, the plaintiff owned an exclusive right to *make, use and vend* the invention with respect to a feature forming a most important part of the patent; but the court held that such right did not give him an "interest" necessary to enable him to maintain a suit for infringement.

Respondent contended in the court below that the assignment in that case did not purport to give the assignee the right to exercise all three rights granted by the whole patent; it certainly did give to the assignee all three rights of making, using and vending the device covered by the claim in question.

In the present instance respondent does not own even *one* of the three rights to any of the claims granted by the patent involved in this suit.

In order to find an apparent excuse for bringing this action in the Federal Court, an interpretation is placed upon Equity Rule 37 which is contrary to Sec. 4919 of the Rev. Stat., and which cannot under any previous decisions of this court, be maintained.

The Law in This Case.

The legal questions to be determined in this proceeding are two-fold, *i. e.*, (1) the lack of title of the respondent to the patent in suit, and (2) the jurisdiction of the court.

A complainant having no legal interest in the subject-matter of the litigation cannot maintain a suit in equity. This court said in *Davis* v. *City of Los Angeles*, 189 U. S. 209:

> "This was a bill in equity filed in the Circuit Court for the South District of California, by appellant, a citizen of Mass. to restrain the City of Los Angeles and its officers from enforcing certain municipal ordinances prohibiting the erection or maintenance of gas tanks or reservoirs within certain portions of the city.
>
> "The demurrer was filed to the bill by the city for want of equity and of jurisdiction which was sustained by the court and the bill dismissed.
>
> "As the appellant has shown no *legal interest* in this litigation and no lack of a complete and ade-

quate remedy at law it results that the bill was properly dismissed and the decree of the court below is affirmed."

To permit respondent to prosecute this suit in a Federal Court, under the guise of a suit for infringement of patent rights, will require a different interpretation of the Revised Statutes of the United States than has been heretofore made by this court.

Robinson on Patents, Vol. 3, p. 123:

> "An infringement is an invasion of the monopoly granted by the patent and the law which defines and authorizes this monopoly confers *only upon its legal owners* the right to institute proceedings for its violation."

Page 131:

> *"The right of action cannot be conveyed separately from the patent since this would confer the ability to sue for an infringement any other persons than those named in the statute as the legal owners of the monopoly."*

On behalf of the respondent in the court below it was contended that as courts of equity had created the whole right to assign choses in action, there seemed to be no logical or sound reason why the present assignment should not be considered as perfectly proper in equity.

Courts have classified choses in action as assignable and non-assignable, and clearly the contract forming the basis of the present suit is based upon a non-assignable chose in action.

In *Hayward* v. *Andrews*, 106 U. S. 672, the Supreme Court settled that question:

> "An assignee of a chose in action, *as a patent right* cannot proceed by a bill in equity to enforce for its own use the legal right of his assignor merely because he cannot sue in his own name."

In accordance with the above clearly the respondent herein has no legal "rights" which it can enforce against petitioner in this action. In urging this contention in the court below respondent presented no decisions supporting its right to bring suit upon a chose in action.

In *Gordon* v. *Anthony*, 16 Blatch. 234, this court held:

> "Equity jurisdiction in patent cases is conferred by sections 629, 711 and 4921 of the Revised Statutes, notwithstanding the patent may have expired before suit is brought, and no injunction could be granted."
>
> "No person can bring a suit for profits or damages for infringement *who is not the patentee or such an assignee or grantee as the statute points out.*"
>
> "*A claim to recover profits or damgaes for past infringement cannot be severed from the title by assignment or grant so as to give a right of action for such claim in disregard of the statute.*"
>
> "The profits or damages for infringement cannot be sued for except on the basis *of a title as patentee, or as such assignee or grantee to the whole or part of the patent, and not on the basis merely of a right to a claim for profits and damages severed from such title.*"

From the above decision there can be no doubt that the legal title to the patent must be represented in a suit for infringement.

DeForest v. *Collins Wireless Telephone Co.*, 174 F. R. 821.

The right to sue on a patent is not a matter of contract, but is the creature of and can only exist as authorized by statute.

In the above case the court said:

> "It does not appear from said bill of complaint that the complainant herein has such title or interest in or under the Letters Patent herein sued upon as to enable him to maintain suit against this defendant."

"The case at bar is controlled by *Pope Mfg. Co.* v. *Gormully Mfg. Co.*, 144 U. S. 248. In this case Mr. Justice Brown discusses *Gaylor* v. *Wilder*, 10 Howard 477 (the leading case upon this subject), and *Waterman* v. *MacKenzie*, 138 U. S. 252, and reaffirming the principle of law therein enunciated held as follows:

"The monopoly granted by law to a patentee is for one entire thing, and in order to enable an assignee to sue for an infringement, the assignment *must convey to him the entire and unqualified monopoly which the patentee holds* in the territory specified."

"In that case the complainant claimed title from the patentee under an instrument using as apt terms of sale and assignment as those used in the case at bar but as was said by Justice Gray in *Waterman* v. *MacKenzie, supra,* page 256 of 138 U. S."

"Whether a transfer of a particular right or interest under a patent is an assignment or a license, *does not depend upon the name by which it calls itself, but upon the legal effect of its provisions.*"

"In the case cited as controlling the conveyance did not embrace the *entire monopoly*, but was limited to so much of the patent as related to or covered the adjustable hammock seat or saddle. It was held that this limitation made the conveyance a mere license. This limitation and its legal effect are indistinguishable from those found in the case at bar, in which the *complainant did not obtain the patentee's invention* in connection with the wireless telegraph work, but only that which related to telephone work and communication. By this limitation the contract is but a license."

"The complainant being a licensee, and not an assignee, cannot maintain an injunction bill in his own name unless (as is contended in his behalf) the authority contained in the license, viz.: together with the right to sue for and collect damages and royalty, past or future for the infringement of said patents, etc., gives him the right so to sue."

"Assuming for argument's sake that the capacity to sue is a matter of contract, it is to be noted that this clause does not expressly authorize a bringing of suits to enjoin infringements. By its own terms it is

limited to bringing *suit for damages and royalty and this can be done only in any action at law.*

"A patent right is a creature of the federal law and *no rights can be acquired in it,* unless *authorized by statute and in the manner the statute prescribes. Gaylor* v. *Wilder* and *Waterman* v. *MacKenzie, supra.*"

Sec. 4898, Rev. Stat., 3 U. S. 1901, page 3387, 5 Fed. St. Ann. 531, provides that:

"Every patent or any interest therein shall be assignable in law by an instrument in writing, and the patentee or his assignee or legal representatives may in like manner grant and convey an exclusive right under the patent to the whole or any specified part of the United States."

"By section 4919, Rev. Stat., 3 U. S. Comp. St. 1901, page 3394, 5 Fed. Stat. Ann. 552:

"Damages for infringement of any patent may be recovered by action on the case, in the name of the party interested, either a patentee, assignee, or grantee."

"Grants as well as assignments must be in writing, and they must convey the exclusive right under the patent to make and use and vend to others to be used, the thing patented, within and throughout some specified district or portion of the United States and such right must be exclusive of the patentee as well as all others except the grantee." *Moore* v. *Marsh,* 7 Wallace, 515.

"'*It was obviously not the intention of the legislature to permit several monopolies to be made out of one, and divided among different persons within the same limits.* Such a division would inevitably lead to fraudulent impositions upon persons who desired to purchase the use of the improvement, and would subject the party under a mistake as to his rights, use the invention without authority be harassed by a multiplicity of suits, instead of one, and to successive recoveries of damages by different persons holding different portions of the patent right in the same place.'

"Unquestionably a contract for the purchase of any portion of the patent right may be given as be-

tween the parties as a license, and enforced as such in the courts of justice. But the legal right in the *monopoly remains in the patentee, and he alone can maintain an action against a third party who commits an infringement upon it. Demurrer sustained.*"

In *Waterman* v. *MacKenzie*, 138 U. S. 255, this court said:

"Every patent issued under the laws of the United States for an invention or discovery contains a grant to the patentee, his heirs and assigns for a term of seventeen years, of *the exclusive right to make, use and vend the invention* or discovery throughout the United States and the territories thereof. Rev. St., Sec. 4884. The monopoly thus granted is one entire thing, and cannot be divided into parts except as authorized by those laws.

"The patentee or his assigns may, by instrument in writing assign, grant and convey, either:

"1. The whole patent, comprising the exclusive right to make, use and vend the invention throughout the United States, or

"2. An undivided part or share of that exclusive right; or

"3. The exclusive right under the patent within and throughout the specified part of the United States.

"A transfer of either of these three kinds of interests is an assignment, properly speaking, and vests in the assignee a title in so much of the patent itself with the right to sue infringers. In the second case, jointly with the assignor. In the first and third cases, in the name of the assignee alone. Any assignment or transfer short of one of these is a mere license, giving the licensee *no title in the patent and no right to sue at law in his name for an infringement.* Rev. Stat. 4919; *Gaylor* v. *Wilder*, 10 Howard, 477; *Moore* v. *Marsh*, 7 Wall. 515."

"*In equity, as at law*, when the transfer amounts to a license only, the title remains in the owner of the patent, and suit must be brought in his name, and never in the name of the licensee alone, unless that is necessary to prevent an absolute failure of

justice as where the patentee is the infringer and cannot sue himself. Any rights of the licensee must be enforced through or in the name of the owner of the patent, and perhaps, if necessary to protect the rights of all parties, joining the licensee with him as a plaintiff. Rev. Stat. 4921."

Littlefield v. *Perry*, 21 Wall. 205.
Paper Bag Cases, 105 U. S. 766.
Birdsell v. *Shaliol*, 112 U. S. 485.

"Whether a transfer of a particular right or interest under a patent is an assignment or a license does not depend upon the name by which it calls itself but upon the legal effect of its provisions. . . . On the other hand, the grant of an *exclusive right* under the patent within a certain district which does *not* include the *right to make*, the *right to use* and the *right to sell* is *not* a grant of a *title* in the whole patent right within the district, and is therefore only a license."

In *Goldsmith* v. *The American Paper Collar Co.*, 2 F. R. 239, the court held:

"An action for infringement of a patent must be brought in the name of the real and beneficial party in interest.

"This is a suit in equity brought for the infringement of letters patent granted to Charles Spofford and James H. Hoffman. . . . That Spofford after the grant of the patent entered into an agreement in writing with the plaintiff, Goldsmith, whereby among other things he appointed Goldsmith as attorney, and in his place or stead to commence, prosecute, compromise, settle, release, conclude and enforce, by suit at law in equity any infringement of the rights secured to him, said Spofford, by said patent by defendant, of such suits to be brought in the name and at the cost of said Goldsmith; that Spofford thereby expressly agreed that he would not do in respect to the defendant any of the acts which he thereby authorized Goldsmith to do; that Goldsmith is the sole and lawful person to bring the bill as to the interest in the patent vested in Spofford; that Hoffman and Spofford will receive large profits from the patent if infringement by the

defendant be prevented. It prays for a recovery of profits and of damages. The bill is demurred to because Spofford is not made a party, and because Goldsmith is made a party."

"It is provided by Section 4919, of the Revised Statutes that:

"Damages for the infringement of any patent may be recovered by action on the case in the name of the party interested either as patentee, assignee or grantee."

"Jurisdiction is given to the Circuit Court, by Section 629, of all suits in law or in equity arising under the patent laws.

"It is provided by Section 4921 upon a decree being rendered in any case for an infringement complainant shall be entitled to recovery in addition to the profits to be accounted for by the defendant, the damages the plaintiff has sustained thereby.

"The clear purport of this provision is *that the party in interest must bring the suit whether at law or in equity, in his own name*, and cannot delegate the right to another person to bring the suit in the name of such other person, when the suit is not for the benefit in any way of such other person. It is a question of *public policy*. The defendant has a right to require that the real name of party in interest shall be in court, so that the court may exercise a control over him, in the course of the suit, if necessary to require him to do something which the rights of the defendant may require to be done. Goldsmith has no control as to the patent, or anything to be done under it, except to bring suits in respect to Spofford's interests.

"There is another respect to which it is against *public policy* to permit a suit like this to be brought. Goldsmith appears to be clothed with the entire discretion as to when and under what circumstances to bring suit and when to compromise or settle for infringement. Spofford has denied himself of all control in this respect although he has a beneficial interest and Goldsmith does not appear to have any. As was said by Judge Shipman in *Gregerson* v. *Imlay*, 4 Blatch., C. C. R. 503:

"This is detrimental to the peace of society and the safety of individuals and against public policy.

"Demurrer sustained."

Southern Textile Machinery Company v. *Fay Stocking Co.*, 243 F. R. 921:

"The instruments in writing here relied on were in exact terms that Drenk and Phillips *are not parting with their title or ownership.* They do not purport to sell or transfer their interest in the patent applied for, either in the United States or in a specific part of it. This limitation or reservation is reserved and expressly set forth in all the writings to which either of them is a party, they purport to give or to be willing to give, permits or licenses to *manufacture* and *sell* only. . . .

"It must be held that complainant has acquired, both at law and in equity, something less than the right conferred by the letters patent upon the patentee. The law in this respect has been established by many decisions. The exclusive right thus acquired by a patentee consists of three things: 1. The right to make; 2, the right to use, and (3) the right to vend the invention or discovery. If any one of these three is not assigned or granted, the grantee acquires at most only a license. See the following:

Gaylor v. *Wilder*, 10 Howard, 477.
Mitchell v. *Hawley*, 16 Wallace, 544.
Hayward v. *Andrews*, 106 U. S. 672.
Waterman v. *MacKenzie*, 138 U. S. 252.

"This being the law, complainant has a good title as to one-half of the letters patent now in litigation, and at most a license as to the other half. In this situation, the parties entitled to maintain an action for infringement has often been under consideration *and it is settled law* that a licensee, or one or two or more joint owners of a letters patent *cannot* maintain a suit in equity to enjoin infringement without uniting the licensor or their joint owners. See the following:

Gaylor v. *Wilder*, 10 Howard, 477.
Waterman v. *MacKenzie*, 138 U. S. 252.

"These rules of law are based on the fundamental consideration that all persons interested in the subject-matter or to be affected by a decree should be made parties, because it is for courts of equity to *do complete justice*, and to settle the rights of *all parties* in one suit in order that litigation may end, and a multiplicity of suits be avoided. A decree does not bind absent parties, and they may therefore harass the defendant with another action based on the same cause of action."

The above case of *Southern Textile Machinery Co.* v. *Fay Stocking Company* is one heard and decided in 1917, under the new equity rules, and clearly defines under the former decisions of *Gaylor* v. *Wilder* and *Waterman* v. *MacKenzie*, who may sue for infringement of a patent, and leaves no question but *that the entire legal interest in the patent must be represented in the complainant.*

The Opinion of the Circuit Court of Appeals in This Case.

In giving consideration to the issues raised in this case the Circuit Court of Appeals failed entirely to consider the main question at issue, *i. e.*, that respondent herein has no legal title to the patent and cannot under the Revised Statutes place itself in the status of the owner for the purpose of promoting patent litigation.

Respecting the natural right or the statutory right of a patentee there is no issue in this case, but the Circuit Court of Appeals stated that:

"An inventor is not compelled by law to apply for and take out a patent if he has produced a new composition of matter of such a nature that the ingredients and the process are safe from discovery by others either by observing his use of his invention or by independent investigation and experiment, he would have a much more entire monopoly by refusing to make the full disclosure that our

patent statute invites. Such is his natural or common law right. It is only when he fears discovery and resultant injury from the exercise by others of their natural or common law right to copy his unpatented invention that he seeks the patent solicitor. So it is clear to a demonstration that the natural or common law right and the statutory right are separate and independent. Neither impinges upon the other. Whether an inventor exercises or refuses to exercise his natural or common law right has nothing to do with his assertion of his statutory right which consists exclusively of his power through the courts, to restrain others from practicing his invention and to call them to account for having done so in defense of his monopoly."

. . . . . .

"As 'the right to exclude' is the only property involved and as that property is made divisible and assignable at the will of the owner, and as the owner had duly assigned to the appellee the whole of the right to exclude appellee, it is difficult to understand why appellee should feel concerned about appellant's lack of right to exclude strangers to this suit."

If the respondent herein was exercising its statutory right "to restrain others from practicing *his* invention to call them to account for having done so in defense of *his* monopoly," petitioner in this case would be bound to recognize the legal rights of respondent herein to invoke the aid of equity in defense of its monopoly. But having no rights in the patent grant, what monopoly has this respondent which any court of equity can enforce or protect?

The opinion of the Circuit Court of Appeals in this case was delivered by the Honorable Judge Baker.

In the case of *Blair, et al.* v. *Lippincott Glass Co.*, 52 F. R. 226, Judge Baker also rendered an opinion involving a question of title to the patent in suit. In that case

some of the same decisions of the Supreme Court herein relied upon by your petitioner to sustain its present contention, were relied upon by Judge Baker in support of his decision which is squarely in conflict with the decision in the present case.

In that case Judge Baker held:

"An inventor of a new and useful improvement has no exclusive right to it until he obtains a patent. This right is created by the statute and secured to the patentee, and no suit can be maintained by the inventor against anyone for using it before the patent is issued. The discovery is a mere inchoate statutory right, which he may perfect and make absolute by proceeding in the manner which the law prescribes. *Reeves* v. *Corning,* 51 F. R. 774."

"The monopoly secured to the patentee is for one entire thing. It is the right to make, use and vend to others to be used the improvement he has invented and for which the patent is granted to the exclusion of all others. The monopoly did not exist in common law, and the rights which may be exercised under it must be regulated by the law of its creation. It is created by the Act of Congress and no rights can be acquired in its unless authorized by statute and in the manner therein prescribed. *Gaylor* v. *Wilder,* 10 How. 477."

"A suit may be maintained for the infringement of a patent in the name of the party interested either as patentee, assignee or grantee. R. S. 4919. But to enable the assignee to sue alone, the assignment *must undoubtedly convey to him the exclusive monopoly which the patentee held* in the territory specified to the exclusion of the patentee and all others. To enable him to sue jointly with the patentee, the assignment must convey to him an undivided part of the monopoly in the territory where the infringement occurs. Any assignment short of this is a mere license. *It has been well said that it was not the intention of Congress to permit several monopolies to be made out of one, and to be divided among different persons within*

the same limits. Such a division would inevitably lead to fraudulent impositions upon persons who desired to purchase the use of the improvements, and would subject a party who, under a mistake as to his rights, used the invention without authority, to be harassed by a multiplicity of suits instead of one, and to successive recoveries of damages by different persons holding different portions of a patent right in the same place."

Petitioner's contention in this case is stated exactly in the language of Judge Baker in the paragraph above quoted. The respondent herein has not had conveyed to it an "undivided part of the monopoly." As was contended on behalf of petitioner in the court below, as held in *Gaylor* v. *Wilder*, and followed in the above case of *Blair* v. *Lippincott*, the complainant in a suit for infringement *must own the legal title to the patent.* The patent right being "created by an act of Congress, no rights can be acquired in it unless authorized by statute and in the manner therein prescribed." Nowhere does the statute prescribe the assumed "interest" upon which respondent herein relies to maintain this suit for infringement, and which Judge Baker designates in the opinion as "the right to exclude."

Judge Baker's decision in the above case of *Blair* v. *Lippincott* has been followed in *Wallach, et al.* v. *Wigmore*, 87 F. R. 469; *N. Y. Continental Co.* v. *City of Sullivan*, 111 F. R. 179; *Brookfield* v. *Novelty Glass Mfg. Co.*, 170 F. R. 960, and others.

Decisions Referred to by Court of Appeals.

In support of its finding the Circuit Court of Appeals in this case makes reference in its opinion to the following decisions:

Bloomer v. *McQuewan*, 14 How. 539.
Patterson v. *Kentucky*, 97 U. S. 501.

Continental Paper Bag Co. v. *Eastern Paper Bag Co.*, 210 U. S. 465.

Fuller v. *Berger*, 120 F. R. 274.

In not one of the above cases was a complainant undertaking to sue for infringement when he owned neither a natural nor a statutory right in the patent, as is the case in the present instance.

In *Bloomer* v. *McQuewan* it was decided that:

> "One in the lawful use and ownership of a patented machine at the time of expiration of extended Letters Patent, may lawfully continue to use that identical machine, though the term of the Letters Patent has been still further extended by a special Act of Congress."

No question of title was raised in that case.

In *Patterson* v. *Kentucky*, the question before the court was whether or not a state law could be enforced against a patentee owning a process upon which the United States Government had granted a patent.

No question of title was raised in that suit.

The question decided in the *Continental Paper Bag Company* v. *Eastern Paper Bag Company* was that:

> "Non-use of a patent for an improvement on paper bag machines in order to save the expense of changing or altering the old machines will not justify a court of equity in withholding injunctive relief again infringement."

No question of title was raised in that suit.

In *Fuller* v. *Berger*, the court held:

> "Neither the non-use or the misuse of a patented device by the owner of a patent deprives him of the right to maintain a suit in equity to enjoin infringement."

No question of title was raised in that case.

In none of the cases referred to was the question of the complainant's right to sue for infringement presented to the court. It appears from the court's opinion in each of the above cases that the title to the patent in each of the above suits was properly vested in the persons bringing the suits.

To read into this case an assumed issue, the decision of which ignores the real issue presented here, establishes a wicked precedent and is a travesty upon justice.

Not a single precedent or a section of the Revised Statutes has been pointed out, in this entire case, on behalf of the respondent, nor in the opinion filed by the Honorable Judges of the Circuit Court of Appeals, which furnishes a basis for permitting a complainant having no legal title to the patent, and no rights to *make, use or vend* the machine covered by the patent, to maintain a suit for infringement, and contest the validity of a patent, legal title to which is vested in parties not in court.

According to the Revised Statutes and the decisions of this court upon the question of titles heretofore referred to, the petitioner herein cannot be forced to defend a suit for infringement by a complainant who has no legal interest in the patent sued on.

The contract, "Exhibit A," between respondent and the owner of the patent in suit shows that no interest in the patent which can be protected by the injunctive writ was transferred, or attempted to be transferred, by the Reed Mfg. Company to the respondent herein.

Further, and as previously stated, if the respondent herein has cause for action against the petitioner, it cannot be for anything more or different than is stated in the contract, "Exhibit A," which is only for the collec-

tion of alleged damages and profits, the subject-matter of which this court has no jurisdiction.

Upon the decisions above referred to the Circuit Court of Appeals in this case also found that:

> "Section 4898 R. S. says that: Any patent or any interest therein shall be assignable in law by an instrument in writing. It would be harder to find broader or clearer words than 'any interest therein' with which to clothe the owner of a patent with the right to subdivide and deed or lease his property as he pleased."

If the Constitution or Revised Statutes furnished any basis for this construction of the transferable interests in patent grants, the Supreme Court did not follow the Constitution and Statutes in *Moore* v. *Marsh, Gaylor* v. *Wilder, Waterman* v. *MacKenzie,* and other cases referred to in this brief, all uniformly holding contrary to the decision of the Court of Appeals in this case.

Public Policy.

In the opinion of the Circuit Court of Appeals (p. 23 Rec.), it is stated:

> "Appellee's argument that a monopoly of this character is contrary to public policy is somewhat belated in view of the Constitution and Acts of Congress."

The petitioner's motion to dismiss raised no question of public policy, although in view of the following decisions it is apparent that it might have done so and would not have done violence either to the Constitution or to the Acts of Congress.

In *Goldsmith* v. *American Paper Collar Co.,* 2 F. R. 239, the court, in referring to Sec. 4921, Rev. Stat.. said:

> "The clear purport of this provision is that the party in interest must bring suit whether at law or

> in equity, in his own name and cannot delegate the right to another person to bring the suit in the name of such other person, when the suit is not for the benefit in any way of such other person. *It is a question of public policy.*"

And again:

> "There is another respect to which it is against *public policy* to permit a suit like this to be brought. Goldsmith appears to be clothed with the entire discretion as to when and under what circumstances to bring suit and when to compromise or settle for infringement. Spofford has denied himself all control in this respect although he has a beneficial interest and Goldsmith does not appear to have any. As was said by Judge Shipman in *Gregerson* v. *Imlay*, 4 Blatch., C. C. R. 503, 'This is detrimental to the peace of society and the safety of individuals and is against *public policy*'."

The real question at issue here is now presented to the court for the first time. That it is one of gravity and importance needs no further argument than the statement that if a precedent is established creating a new transferable "interest" in a patent grant, whereby a manufacturer who desires to suppress or annihilate competition may purchase from the owner of a patent, not any of the exclusive rights conferred by the patent grant, but an additional "right" for the purpose only of involving competitive manufacturers in useless and expensive patent litigation, it will have but one result, *i. e.*, the promotion of litigation of this nature.

Litigation of the kind exemplified by this suit would serve no good purpose for anyone. It contemplates only establishing a new basis for lawsuits, which is contrary to the spirit and purpose of Article 1, Sec. 8, of the Constitution of the United States; is also contrary to the Federal Statutes covering patent grants, and to suits arising under the patent laws.

Under the law as well established and shown by the cases herein referred to, the equities in this case are all with the petitioner herein, and the bill should be dismissed.

Respectfully submitted,

FLORENCE KING,
Solicitor for Petitioner.

CHICAGO, Jan. 8, 1923.

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, A. D. 1921.

No. 240.

CROWN DIE AND TOOL CO.,

Petitioner,

vs.

NYE TOOL AND MACHINE WORKS,

Respondent.

BRIEF AND ARGUMENT FOR RESPONDENT.

W. E. BYRNE-JONES,
GEORGE A. CHRITTON,
For Respondent.

[illegible],
Of Counsel.

Judson Press, Jay Printing Co. & Bookbinding Co., Chicago.

INDEX.

Statement of the case 1
"Exhibit A" (assignment sued on) 2
Respondent's contentions 7
The propriety of the *pro forma* decree of the District Court 8
Respondent's interest in the title 10
The patent right and the natural right capable of separation 13
Nature of plaintiff's title 17
The size of plaintiff's interest in the patent 22
Plaintiff's motive in acquiring the right 24
Multiplicity of suits 26
Res judicata 29
Public policy 31
The license cases 33
The new equity rules 37
Opinion of Judge Carpenter (the trial court) 39
Opinion of the Court of Appeals 46

Table of Cases.

Adams *v.* Hayward, 12 Fed. Rep. 786 38
Bloomer *v.* McQuewan, 14 How. 539, 548; 14 L. Ed. 532 ..... 11, 49
Continental Paper Bag Co. *v.* Eastern Paper Bag Co., 210 U. S. 405; 52 L. Ed. 1122 ..... 12, 24, 49
Fuller *v.* Berger, 120 Fed. Rep. 274 ..... 12, 49
Harley Davidson Co. *v.* Buffington, Adv. Ops., Oct. Term, 1921, 641; 66 L. Ed. — 8
Kaiser *v.* General Phonograph Supply Company, 171 Fed. Rep. 432 ..... 14, 37
Patterson *v.* Kentucky, 97 U. S. 501; 24 L. Ed. 1115 ..... 11, 13, 49
United Shoe Machy. Corpn. *v.* United States, Adv. Ops., May 15, 1921, p. 420; 66 L. Ed. — 12

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, A. D., 1921.

No. 240.

CROWN DIE & TOOL COMPANY, *Petitioner,*

vs.

NYE TOOL & MACHINE WORKS, *Respondent.*

Writ of Certiorari to the United States Circuit Court of Appeals for the Seventh Circuit.

BRIEF AND ARGUMENT FOR RESPONDENT.

Statement of the Case.

Respondent filed its bill in the District Court of the United States for the Northern District of Illinois, Eastern Division, at Chicago and prayed for an injunction restraining patent infringement and an accounting for past infringement. The bill was in a short and simple form, which we drafted with the utmost care before the new equity rules were promulgated, our effort being to

eliminate most of the useless verbiage and yet retain the essential elements of a patent bill. The bill was in the exact form we have used for many years except that the plaintiff's title was set forth in full in order to present the interesting and novel question involved as a proposition of law on the pleadings. It is not believed that any substantial criticism can be made of the general form of the bill aside from the question as to the sufficiency of the title shown on its face. The general form of the bill was highly praised by the Court of Appeals in its opinion and it is believed, therefore, that there is in it no substantial question worthy of argument.

The only question here involved is the right of respondent to maintain suit on the instrument of title set forth in the bill. This instrument was attached to the bill as "Exhibit A," and is as follows:

"EXHIBIT A."

"Whereas, Reed Manufacturing Company, a corporation of Pennsylvania, is the owner of letters patent of the United States No. 1,033,142, for a Machine for Forming Screw-Thread-Cutting Devices, granted July 23, 1912, on an application of Wright and Hubbard; and

"Whereas, under said patent Reed Manufacturing Company has the right to exclude others from manufacturing, using and selling the devices of said patent; and

"Whereas, it is believed by the parties that Crown Die & Tool Company, a corporation of Illinois, has been manufacturing and using devices in infringement of said patent; and

"Whereas, Nye Tool & Machine Works is engaged in the manufacture of dies with which the dies made by said Crown Die & Tool Company, by the use of said infringing machine, are in competition; and

"Whereas, Nye Tool & Machine Works is desirous of acquiring from Reed Manufacturing Company all of its rights of exclusion under said patent, so far as the same may be exercised against the Crown Die & Tool Company, together with all rights of the Reed Manufacturing Company against the Crown Die & Tool Company arising out of the infringement aforesaid;

"Now, Therefore, in consideration of one thousand dollars ($1,000.00), and other good and valuable considerations, the receipt of which is hereby acknowledged, the Reed Manufacturing Company hereby assigns and sets over to the Nye Tool & Machine Works, all claims recoverable in law or in equity, whether for damages, profits, savings, or any other kind or description, which the Reed Manufacturing Company has against the Crown Die & Tool Company arising out of the infringement by the Crown Die & Tool Company of the Wright & Hubbard patent No. 1,033,142; and, for the same consideration, assigns and sets over all the rights which it now has arising from said patent of excluding the Crown Die & Tool Company from the practice of the invention of said patent, the intention being that, in so far as concerns the exclusion of the Crown Die & Tool Company under said patent, the Nye Tool & Machine Works shall be vested with as full rights in the premises as the Reed Manufacturing Company would have had had this assignment not been made; and that the Nye Tool & Machine Works shall have the full right to bring suit on said patent, either

at law or in equity, against said Crown Die & Tool Company, and, for its own benefit, to exclude the Crown Die & Tool Company from practicing the invention of said patent, and for its own use and benefit to collect damages which may arise by reason of the future infringement of said patent by the Crown Die & Tool Company, but nothing herein contained shall in any way affect or alter the rights of the Reed Manufacturing Company against other than the Crown Die & Tool Company; and, for the same consideration, all rights as are herein given against the Crown Tool & Die Company are given as against any successor or assignee of the business thereof.

"REED MANUFACTURING COMPANY,
"By P. D. WRIGHT,
"(CORPORATE SEAL.) Its President.

"State of Pennsylvania, } ss:
"County of Erie, }

"Before me this 29th day of July, 1920, appeared P. D. Wright, personally known to me, who on oath stated that he is the President of Reed Manufacturing Company, and that he was authorized by the Board of Directors of Reed Manufacturing Company to execute the foregoing assignment; that the seal affixed to the assignment is the seal of the corporation, and that he thereupon acknowledged said assignment to be the free act and deed of said Reed Manufacturing Company.

"B. M. HARTMAN,
"(SEAL.) Notary Public."

Obviously, this instrument was intended by the parties to convey an "interest in" the patent. Moreover, it expressly assigns to the plaintiff all the right which the owner of the patent (the plaintiff's assignor) had to recover from the defendant (petitioner here) for the infringement of the patent named in the assignment, and was intended to place the plaintiff in precisely the same position the owner of the patent would have been in had it instituted this suit, before the making of the assignment.

The question here involved is the legal effect of said instrument—the determination of exactly what passed to the plaintiff as a result of its execution. It shows clearly what was intended to pass, and it seems equally obvious that it is within that portion of Section 4898 of the Revised Statutes which provides that

> "any patent, or any interest therein, shall be assignable in law by an instrument in writing,"

and it is the construction of this instrument which is involved in the case at bar.

The District Court wrote an opinion which does not appear of record. Counsel were called in, the opinion was read, and the District Judge stated the opinion would not be filed or published, and the appeal was perfected without the opinion. Later, the District Judge concluded that the opinion was of such general importance as to justify publication and caused a copy to be sent to the West Publishing Company, so that the opinion was print-

ed, 270 Fed., 587, just prior to the argument in the Court of Appeals, and was before that court. In the opinion, which is here reprinted as "Appendix A," the District Judge completely and ably supported respondent's right to sue, but after saying: "I am of the opinion that, as a matter of law, the motion to dismiss should be overruled," the trial court pointed out the interesting nature of the question involved, the importance of having it settled by the Court of Appeals, and therefore to force an appeal he entered a decree which he believed to be wrong.

The Court of Appeals agreed entirely with the reasoning of the District Judge and affirmed his opinion by reversing the decree. The opinion of the Court of Appeals is reprinted here as "Appendix B."

Respondent's Contentions.

There are three independent grounds upon which the decree of the Court of Appeals should be affirmed and the decree of the District Court reversed.

First, the practice of the District Court in entering *pro forma* decrees to force an appeal, and decrees contrary to its own best judgment, is utterly wrong.

Second, as found in the opinion of the District Court and of the Court of Appeals, respondent's title is amply sufficient to support this suit, even under the old rules.

Third, the new rules overturned the ancient practice of requiring the joinder of the technical legal owner of a patent and permit the beneficial owner to sue on his own behalf without technical joinder as in other cases.

The Propriety of the Pro Forma Decree of the District Court.

This court has recently, in *Harley Davidson Co.* v. *Buffington, Adv. Ops.*, Oct. term, 1921, 641, 66 L. Ed. —, sharply criticized the practice of District Courts entering *pro forma* decrees to force or permit appeals. The entry of decrees, professedly contrary to the judicial judgment of the Chancellor and for the sole purpose of permitting an appeal not otherwise authorized, is entirely subversive of the statutes relative to appeals and is open to even more severe criticism than that of entering *pro forma* decrees. The Court of Appeals on being apprised of the officially published views of the Chancellor, should have instantly reversed without considering the merits and with instructions to the District Court to enter a decree in accordance with the judicial judgment of the Chancellor. On the present writ this court stands in precisely the place of the Court of Appeals. It has before it for consideration a decree which the Chancellor who entered it expressly stated, in his judgment, was wrong, and which was entered solely for the purpose of circumventing the statute as to interlocutory appeals. The Chancellor may be right in holding that Congress should give to the District Court the power to certify interlocutory questions, but Congress has not given that power, and it is not believed that the present is an appropriate way for a District Court to seize the power not given it.

It is not as if there were no appropriate remedy for

avoiding the inconveniences elaborated by the Chancellor in his opinion as justifying his entering the erroneous decree. The ancient extraordinary legal remedies still exist and the Courts of Appeals may use them in aid of their appellate jurisdiction. The writ of *mandamus* to a District Court is frequently used by the Courts of Appeals, the writ of prohibition is occasionally used, and is certainly open, but the writ of *certiorari*, equally well founded in the history of the common law, is sadly neglected by the bar, and therefore by the bench. Conceding that, to prevent useless expense and delay, it is occasionally necessary to review an interlocutory order not otherwise immediately appealable, the ancient remedy of a writ of certiorari affords ample relief. When invoked it vests in the Appellate Court the discretion as to which interlocutory questions should be reviewed, and it throws the burden of expense on the party defeated below, who *prima facie* is in error and should bear the burden. The practice followed here permits the District Court to usurp the discretion of the Appellate Court and to throw the burden of initial expense on the wrong party.

On the conceded facts, therefore, the Court of Appeals should not have passed on the merits, but should have reversed the decree with instructions to the District Court to follow its own judgment. On the present record this court has no more right to consider the merits than had the Court of Appeals. It is only when the District Court shall have entered a judicially considered decree that either the Court of Appeals or this court should consider reviewing the interlocutory order, and then only by an appropriate legal procedure.

Respondent's Interest in the Title.

Since respondent has sought to divide the patent along novel lines, and since a philosophical discussion of the nature of respondent's interest requires a critical understanding of the patent, which is the thing sought to be divided, it is essential to clarity of thought first to discuss broadly the nature of the patent right. While the carefully considered opinions, both of this court and the lower courts, are remarkably clear as to the nature of the patent right, there is a great deal of popular misconception of the nature of the grant, and sometimes jurists who have a clear concept of the abstract statement are still so far short of a thorough-going appreciation of its meaning as to lead them to illogical conclusions in patent causes.

In the absence of a patent system everyone has the right to make, use and sell anything not prohibited by some rule of public policy or some municipal law. This is the natural right so often contrasted with the patent right, and it existed long before there was any patent system, is not a creature of the patent system, and is affected by the patent system only as the latter adds to the body of municipal law and increases the number of things which may not lawfully be manufactured, used or sold.

Since therefore the patentee is born with the presumed right to make, use and sell anything, it is perfectly evident that his natural right is neither enlarged nor restricted by the grant of a patent to him. When a man

makes an invention in a country with no patent system he may make, use and sell freely. If there is a patent system he is not obliged to take advantage of it and he may make, use and sell just as freely without a patent as with it.

What is it then that the inventor acquires from the Government when he elects to take out a patent upon his invention? Certainly he gets no additional right to make, or to use, or to sell, because he had that right fully without a patent. All he can acquire from the Government is the right to exclude others, and this has been repeatedly held by the courts.

In *Bloomer* v. *McQuewan,* 14 Howard, 539, 548, 14 L. Ed., 532, this court, speaking through Chief Justice Taney, says:

> "The franchise which the patent grants consists altogether in the right to exclude everyone from making, using or vending the thing patented, without the permission of the patentee. This is all he obtains by the patent."

In *Patterson* v. *Kentucky,* 97 U. S., 501, 24 L. Ed., 1115, the contention was made that because of the existence of a patent covering a product, the state law of Kentucky enacted under the police power making such manufacture unlawful was to be over-ridden as in conflict with a Federal grant. This court again distinguished the natural right to make from the patent right to exclude and held that the state law was proper because it operated wholly upon the natural right and in no way interfered with, limited, or qualified the patentee's free right to exclude.

Upon precisely the same ground rests *Fuller* v. *Berger*, 120 Federal, 274, in which the suit of the patentee seeking to exclude was sought to be defended on the ground of unclean hands in connection with the patentee's exercise of his natural right to make. The two rights were clearly distinguished and the Court of Appeals (Seventh Circuit) held that unclean hands with respect to one right could not alter the plaintiff's status as a suitor on the other.

Finally, in *Continental Paper Bag Company* v. *Eastern Paper Bag Company*, 210 U. S., 405, 52 L. Ed., 1122, this court held, in view of the manifest distinction between the two rights, that the patentee's failure to exercise his natural right in no way affected his franchise to exclude, even when the enforcement of the right to exclude, coupled with the inaction under the natural right, totally deprived the public of the entire use of the invention for the life of the patent.

It is thus clear that the patent gives only the right to exclude and it would seem to follow that an assignee could buy nothing more and should be required to buy nothing more in order to maintain a suit.

Only recently in a shoe machine case, *United Shoe Machinery Corp.* v. *United States, Adv. Ops.*, May 15, 1921, p. 420; 66 L. Ed. —, this court reasserted the proposition that the patent grant is nothing but the right to exclude.

The Patent Right and the Natural Right Capable of Separation.

At the argument below it was suggested by counsel that for some reason, the logic of which we are unable to follow, the natural right, or some part of it, and the right to exclude must coexist in the plaintiff before suit can be brought. This, however, is clearly unsound both on principle and precedent. In *Patterson* v. *Kentucky, supra,* the natural right to make, use and sell was extinguished by the state law while the patentee was recognized as being vested with the patent monopoly which it remained the duty of the courts to preserve and protect. Today there are hundreds, if not thousands, of existing patents upon processes for the manufacture of alcoholic liquors. The natural right of each patentee has been extinguished by the eighteenth amendment and the statutes enacted thereunder, yet it is manifest that each patentee could maintain suit against an infringer and would in no sense be deprived of his patent rights because the infringer is a law breaker.

A common case of the complete separation of the natural right from the right to exclude is that created when a patentee grants to some one else the exclusive right to make, use and sell with such limitations as to leave the legal title in the patentee. In such a case (under the old rules) the licensee might sue in the name of the licensor to protect his own interest, but the li-

censor could sue alone to recover his damages. He may have a substantial interest in the recovery and in excluding unlicensed manufacture because infringing competition with the licensee cuts down the licensor's royalties. His rights as a litigant are clearly sustained in *Kaiser* v. *General Phonograph Supply Company,* 171 Federal, 432, in which case, however, the licensee was also a party.

It is equally apparent that the grantee of a territorial interest may sue for infringement committed within his territory, even though it is apparent that for other reasons, physical or legal, it is impossible for him to exercise his natural right.

Of course the most common case of the separation of the patent and natural rights is in the case where the structure of the patent in suit is dominated by some other and broader patent. It is needless to remark that the broader patent may be older or younger or of the same date with the narrower patent. In either case, for the whole life of the broader patent, and this may be the whole life of the narrower patent as well, the patentee of the narrower patent has no natural right to make, use or sell the structure of his own patent. Any suggestion that the plaintiff in a patent suit must have the natural right to make, use and sell in addition to the patent right would create an entirely new defense to patent cases, would make it impossible for the owner of the narrower patent to sue with a broad patent in force, and would immensely complicate patent litigation.

The exclusive right and the natural right flow from different sources, are of different kinds and they need not co-exist. In fact so totally independent are these rights that the grant of a patent to the defendant is wholly immaterial on the question of his infringement of another patent. It is absolutely impossible to maintain any clean-cut line of patent law unless we totally divorce the two rights, and, in discussing the patent right, simply assume and remember that the natural right is totally immaterial. It may be non-existent or suspended; exercised, not exercised, or even misused, and the status of the plaintiff will be the same. In fact, an inquiry relative to the natural right of the plaintiff has no materiality whatever.

This would seem to be necessary on principle since the patentee who gets from the Government only the right to exclude would be in a sad position indeed were his franchise to be extinguished with changing conditions affecting a natural right concerning which the Federal Government which grants the patent is entirely uninterested and over which it has no control. The natural right, in the main, is a creature of state laws and it must be disregarded from every aspect in considering the franchise granted by the Federal Government.

Having thus established the nature of the franchise granted by the patent, it would seem that under Section 4898 (R. S.) providing that any patent or any interest therein shall be assignable in law by an instrument in

writing, the patentee would have a right to split his right to exclusion along any lines he chooses. It is clear that he may sell the entire right to exclude, or a fractional right to exclude, or the right to exclude all persons operating within a given territory. There would seem to be no sound or logical reason why he should not sell just as properly the right to exclude any one man named in the instrument or any group of men. The logical ground for this assertion is so clear, and the proposition is so reasonable, that in the main the argument of this cause both in the District Court and the Court of Appeals consisted merely in answering objections. These objections are of two kinds: one, those involving questions of practical convenience; and, two, that involving *dicta* in prior cases. Both of these classes of objections will be fully discussed, but, initially, it will be well to consider the practical and legal advantages and the theoretical reasons tending to justify division of a patent along the line here adopted.

Nature of Plaintiff's Title.

Heretofore patents have been, so far as we are aware, divided either into undivided fractional interests or into territorial fragments.

The undivided fractional interest has always been a useless and annoying arrangement because under it the parties are tenants in common, and since the patent is an incorporeal hereditament the nature of the rights of the two co-tenants is extremely confusing. Certainly each can practice the invention without accounting to the other and each can grant a valid license without the consent of the other, because a license is only a covenant not to sue and a suit can be maintained only by all the owners in common conjointly so that if one fractional owner covenants not to sue he grants immunity under the whole patent.

A patent split into undivided fractional interests is practically valueless unless the owners co-operate in perfect harmony. Most patent lawyers feel that such division should be prohibited because it is so totally destructive of the rights of the parties. For many years we have always discouraged the division of patents in this way, and in every case where a client would follow our advice we have kept the patent in a single hand and arranged, through contract, trusteeship or a corporation, for some division of proceeds.

Territorial grants under patents, excepting where the patent is on a process, are very largely ineffective be-

cause of the rule that goods made under the patent in one part of the country are freed from the monopoly and may be shipped elsewhere, even into the territory where the patent is owned by some one else, and there sold. The territorial right on an article of sale is therefore valueless and in most cases has been merely an instrument of fraud since the purchasers of county and state rights always get less than they think they get.

Fully appreciating the difficulties of the two common methods of dividing a patent we have often given consideration to the question as to how the patentee may lawfully sell a part of his patent so that the purchaser shall get something definite, tangible and valuable. We know by sad experience that an undivided fractional interest is always and a territorial interest is usually perfectly useless and vicious. The one logical and effective way to divide a patent is on personal lines, because a patent is a personal right requiring for its enforcement the personal remedy of injunction. It is a right against people which can be effectuated only by courts which act *in personam*.

It seems clearly logical to divide such a right on personal lines. We would infinitely rather see a patent split in this way than in the more common ways of the past. A person who buys the right to exclude all persons whose names begin with the letters A to M, or all persons with red hair, has a perfectly definite tangible right; the patent has been partitioned on lines which

are of practical importance, and we see nothing in the slightest degree undesirable about such an arrangement. We are entirely satisfied that the division of patents along the usual lines is almost invariably inexpedient but it does seem that partition along personal lines is not only sound in principle but desirable in fact. In such a system the patentee sells to each individual who cares to buy just the rights of exclusion which the purchaser needs in his own own business and such rights therefore are much more readily vendible than the highly useless sort with which we have been familiar.

Viewing the patent in its true light as a mere right to exclude in connection with the statutory provision for the assignment of any interest in this right, what conceivable logical ground can there be to inhibit division along the line of the persons against whom the several owners shall exercise their right and from whom they shall collect their tribute?

Similar arrangements have often been made in licenses, promotion deals, etc. It is extremely common for a patentee to make an arrangement with some promoter or agent looking to the broadcast grant of licenses by the agent and reserving to the patentee the sole right to deal wih certain named large companies. In other words, the patentee often says to an agent, "You collect the tribute under this patent from all except a dozen big makers, but I reserve those for myself." There seems to be no reason why this common arrange-

ment should not be carried through by an effective assignment of the rights.

Why should not the patentee sell, for instance, the right to exclude every one excepting a dozen big makers and retain them for himself, or conversely, why should he not sell the right of excluding a dozen and keep the rest of the country for himself? It is extremely difficult to see any possible theory upon which the division of patents should not proceed on personal lines and it seems to us a highly desirable mode of division.

Along the same line it is highly interesting to consider what is the status of the patent in suit under any other view than the one here advanced. The Reed Manufacturing Company had the right to exclude the Crown Company and the right to collect past and future damages and profits. It certainly had the right to sell its claim for past damages. Why it should not sell the right to future damages, if any, we do not see and we should think that in a case of a continuing trespass the owner of the chose theoretically ought to be able to sell not only his past but his future claims. But what has become of the Reed Company's right to exclude defendant? It certainly has not been extinguished and it rests either with the Reed Company or with the plaintiff. The Reed Company has tried to sell it, has taken good money for it, and certainly is no position as between the parties ever to assert that it owns this right. If it has carried out its purpose then the plaintiff has all the title necessary to maintain this suit. If

not, a *bona fide* sale of a valuable right is to be prohibited at the instance of a wrongdoer totally unaffected by it and contrary to the desires of both the parties interested.

This matter does not concern either the public or the defendant because, whoever owns the patent, defendant has no right to infringe and at some time (to some one) should account. The only interested parties are the Reed Company and the plaintiff, and there seems to be no reason why the Reed Company should not sell and the plaintiff should not buy anything valuable if agreeable to the two.

The general rule, of course, is that all choses are assignable which would not abate at death but would fall to the estate. Expectancies even are assignable in equity, and certainly there is such expectation that an infringer will continue as to justify an assignment of future damages. Certainly every right plaintiff sought to buy was vested in the Reed Company and is of a kind to fall to a decedent's estate. Why, then, should such rights not be bought and sold?

The Size of Plaintiff's Interest in the Patent.

At the hearing in the District Court several suggestions were made relative to the size of the share in the patent the plaintiff has been granted. We will attempt to cover all these suggestions.

In the first place, it was suggested that the interest was simply too small. The obvious answer is that the statute, section 4898, provides that "every patent or *any interest therein* shall be assignable in law by an instrument in writing." There seems therefore to be no obstacle to the plaintiff's buying any interest, however small, which is of particular value to the plaintiff.

And furthermore the interest purchased here is the only part of the patentee's right which would be exercised if the patentee itself should maintain this suit alone. The patentee has the right to exclude all persons. In bringing a suit it exercises the right to exclude only one and may, if it choose, either license all others or acquiesce in their infringement. The present plaintiff therefore has bought from the patentee all of the rights which it would be enforcing in its own name were it the sole plaintiff here. In other words, the right here conveyed is the whole right which forms the basis of any suit.

It is equally clear that mere size is not a sound objection because it is apparent that the right to exclude may be subdivided territorially in a manner to accomplish precisely the same result. We find from the Chi-

cago directory that the defendant's place of business is 555 West Monroe Street. There is no possible objection to the plaintiff's purchasing a territorial right to exclude co-extensive with the premises at 555 West Monroe Street, Chicago, now occupied by the defendant. Upon such a grant the suit could readily be maintained and would be open to no question whatever on the ground of size. Conceivably if the territorial grant were only for the east vigintillionth of the premises known as 555 West Monroe Street, the court would follow the Supreme Court of Illinois in tax suits, but since the grant would be for the whole premises it would be amply sufficient to maintain a suit and yet is a smaller grant than the one actualy here because the present grant is of the complete right to exclude this defendant wherever located, and also its successors in business. It would seem that the question of mere size can receive no support either in precedent or in logic.

Plaintiff's Motive in Acquiring the Right.

At the hearing in the District Court it was suggested that for some reason or another the plaintiff's rights in the premises were affected by the apparent fact that it wished to use the right to exclude which it has bought in aid of its business in an unpatented article. Upon the slightest consideration this suggestion is disposed of. A vast number of patents cover machines for making unpatented articles and patentees sue upon such patents to hold the advantage which their better machinery gives them.

An excellent illustration is the match-making machine patents which have been extensively litigated. Matches are unpatented, but the suits are brought to deprive match makers of manufacturing advantages.

And it is by no means essential that the suit shall be brought to protect the patentee in his own use of the patented invention. In *Continental Paper Bag Company* v. *Eastern Paper Bag Company, supra,* the whole argument of the defense was based upon the fact that the plaintiff had two excellent machines for making paper bags, one of which machines the plaintiff was using and the other of which it refused to use, and that the suit was brought simply to hamper the defendant in cheaply making unpatented bags by machines which the plaintiff itself did not itself use.

That is precisely the situation here. The plaintiff has

perfectly good machinery for making dies. It can make dies either under the structure of an old Beck patent, which it used extensively for many years and is now using extensively, or under highly ingenious new machinery which it has devised. The defendant, however, is making dies more cheaply and expeditiously than it could do without trespassing on the patent in suit and the plaintiff has the absolute right to buy the patent in suit, or any part of it, and institute a suit with exactly the motive just set forth as having been those of the plaintiffs in the reported cases.

Indeed this suggested defense of motive would apply with just the same force had the plaintiff brought the entire patent into the suit, instead of a part of it. The usual reason for getting a patent on a machine for making unpatented articles is to prevent competitors from making the unpatented articles as cheaply or as well as the patentee makes them, either by the patented machinery or by some other machine which the patentee controls. The patent system creates rights to exclude which are used for no other purpose than to hamper or impede competitors and no plaintiff in a patent suit need apologize for his motives when he says frankly that he desires to use a patent right against a competitor.

Multiplicity of Suits.

At the hearing in the District Court it was suggested that grants or assignments like the present one would lead to innumerable controversies. On analysis this suggestion is found to be without weight. There can never be more suits on a patent than there are infringers. If there are no infringers there can be no suits. If there are ten infringers, only ten suits; and it is only a million infringers which can produce the million suits suggested at the hearing below. As to each one, it makes no earthly difference to the defendant who brings the suits provided he can be sued but once on one patent for one tort. A million infringers might tax the resources of one patentee and thus injustice might be done, for every infringer ought to be sued by someone holding under the patentee and made to disgorge his unlawful gains. If we could imagine a patent with a million infringers we should venture the assertion that justice would be more nearly approached by permitting the patentee to sell for a valuable consideration his rights against each of a million defendants than to have him totally deprived of the bulk of his rights by the physical impossibility of one man suing a million separate trespassers.

The essential point, however, is that the defendant here is in no way injured by the present situation. The Reed Company clearly could itself maintain this suit and the defendant would have to defend. The Reed Company

has chosen to assign all of its interest in the patent which it could assert against this defendant to the plaintiff, and the defendant therefore is in precisely the position it would occupy had the plaintiff bought the whole patent. What harm does it do defendant that plaintiff has bought no more?

Baldly stated, the patentee has no right except to bring a suit for infringement or to grant a license, which is tantamount to an agreement not to bring such a suit; it can either sue or agree not to sue. An infringer can either defend and pay damages, if defeated, or buy immunity from suit. In the present case, the plaintiff alone has the right to sue this defendant and the plaintiff alone has the right to grant immunity. So far as the defendant is concerned, the Reed Company is entirely out of the situation and the plaintiff stands in its shoes, having, as the assignment states, every right against the defendant which the Reed Company had before the assignment.

It is thus seen that the defendant as an infringer is in no way interested in the present title except on purely technical grounds. It is obviously trespassing, as admitted by its motion to dismiss, and it is bound to stop and pay its damages and profits. It can make no difference whether these damages and profits are paid to the present plaintiff or to the Reed Company, for the defendant, as a wrongdoer, certainly has no right to keep them. The defendant's manufacture is admittedly a wrongful and continuing trespass upon someone's property. It makes

no substantial difference to the defendant who is the plaintiff, because the motion concedes the wrongfulness of the defendant's conduct and admits that it ought to be stopped on someone's suit.

The only question which can possibly interest the defendant, other than technically, is the possible jeopardy of two suits on the same claims, to which question we will now turn.

Res Judicata.

The question was asked at the hearing in the District Court whether a judgment in this suit for the defendant would be *res judicata,* and the immediate answer was in the affirmative. The patent in suit has been so subdivided that only the present plaintiff or someone claiming under the present plaintiff can ever sue this defendant and the judgment, if any, will bind parties and their privies. The Reed Company has totally divested itself of the right to exclude, *i. e.*, sue this defendant, having sold that right to the plaintiff, and it is therefore out of the case. The defendant must settle with the plaintiff either by defeating it in the suit or by otherwise satisfying its demands.

In either case, one suit settles the controversy between the parties on the subject-matter, and that is all that is required. In any event the defendant is certainly no worse off than under conditions which would clearly justify the suit. Suppose, for instance, the plaintiff had bought the territorial right for 555 West Monroe street. It might maintain the suit and lose, and should defendant move, it could be sued again by the Reed Company for working in its territory, concerning which there had been no adjudication. The patent obviously may be so divided therefore that a defendant may be sued more than once. A defendant with several factories may have to stand the suit of a separate plaintiff at each plant. Here the de-

fendant evidently can be sued but once under the patent in suit for the same kind of infringement.

There certainly can be nothing, therefore, arising from the rules of *res judicata* to interfere with the plaintiff's maintaining suit.

Public Policy.

The outstanding point of public policy is that on this motion the defendant stands as an admitted infringer and ought to be stopped. The decree will be precisely the same and have precisely the same effect on the defendant's business as under many conditions which would be unquestionable. Without the present assignment the Reed Company could have sued, or the plaintiff could have bought the whole patent in suit, or a territorial interest, and sued. In either case the result would be that the defendant would have to stop its admitted trespass and disgorge its unlawful profits, of which it is a trustee for someone. The outstanding requirement of public policy is that infringement shall not exist and that infringers shall not keep their profits. It is difficult to see why public policy is in the slightest degree affected by nice questions as to title.

The second outstanding point of public policy is that Congress has plainly declared that patentees shall have the right to sell any interest whatever in the patent granted to them. The Reed Company, having the clear right to exclude the defendant and collect its profits, has assigned that interest in the patent to the plaintiff. This is a valuable fraction of the patent franchise and it is strictly in accordance with the declared policy of the law to permit it to be sold.

It is indeed difficult to see any reason why the maintenance of the present suit should seem in the slightest

degree undesirable. The purpose of the patent law is exclusion and the declared policy is to permit these exclusive rights to be subdivided and transferred at will. The plaintiff by purchasing a little greater or a slightly different interest could easily accomplish its present purpose, so there is nothing against public policy in the nature of the decree sought or in its effect on the defendant. It seems absurd to contend that the public is in the slightest degree interested in whether, to accomplish its lawful purpose of exclusion, the plaintiff bought more of that patent than was needed, or only just enough. It would seem that there could be no objection, founded on policy, to the plaintiff's thrift in purchasing only so much of the patent as it needed to accomplish a purpose which is clearly lawful and which may be effectuated by a less thrifty purchase.

In the ordinary case where public policy is involved the objection is that the result of the decree is fundamentally wrong and should not be attained by any means whatever. In the present case the result sought is fundamentally right and, on the admitted facts, the decree ought to be entered in favor of someone as plaintiff.

The License Cases.

Turning now to the adjudicated cases, we find many where licenses have been distinguished from interests in a patent, the necessity for the distinction having arisen by reason of the fact that under the old rules the owner of the interest could sue in his own name, while a mere licensee had to join with him the owner of the legal title.

The true distinction is, we submit, that the patent grants a three-fold right to exclude from manufacture, to exclude from use, and to exclude from sale. All instruments which have conveyed the three-fold right in the whole invention have been held transfers of an interest, while those conveying only one or two of these rights, or all of them in only some species of the patented invention, have been held licenses. Fundamentally, we believe the effort has been to prevent the possibility of two suits on the same patent against a single infringer, one by the owner of a part of the power of exclusion, and the other by the owner of the remainder. This distinction runs through all the cases. Regardless of language, every instrument which gave the plaintiff alone the power to exclude the defendant from making, using, and selling the entire subject-matter of the patent has been held an assignment, whereas if there was any outstanding interests under which the original owner could come in and assert additional rights under the patent in another suit, the instrument has been held a license, and, under the old

rules, the licensee was required to join with him the legal owner.

This is the literal result of all the cases, and the principle above outlined is the true one, and the only logical one which can be adopted and followed through without introducing unutterable confusion into the fundamentals of patent law.

This and other courts have repeatedly stated, *arguendo*, that there are only three kinds of assignments of interests, *i. e.*, assignments of the entire interest, assignments of an undivided interest, and assignments of a territorial interest, and that everything else is a license. The assertion, however, that there are only three kinds of assignments is *dictum*, for the real question before the court in each case is whether a particular instrument was a license and in every case the license lacked what is here present, a complete conveyance to the plaintiff of every right under the patent which was or could be litigated in any suit by a particular defendant.

The *dictum* is simply too narrow. There have been only three kinds of assignments known or in common use, but the present one is logically a true assignment of a personal interest, and if any logical and complete definition of an assignment is formulated, then this will fall within that definition.

It may be noted also that the *dictum* is very old and has been passed down as a matter of tradition and copied from old opinions written under a different assignment statute from that now in existence. The old statute was

quite explicit as to the kinds of rights which might be sold, but the present statute first says that the patent, or any interest therein, may be assigned by an instrument in writing, and it then proceeds with a phrase evidently relating to licenses, which provides for their recording. The second phrase provides that the patentee may in like manner, *i. e.*, in writing, grant an exclusive right for the whole United States or for any specified part thereof, and then provides for the recording of all such instruments. It cannot be held that the last two provisions, that is, for exclusive rights for the whole United States or any part thereof, is a narrowing of the first provision that the patent or any interest therein may be assigned because this would mean: 1. That the statute twice provides for the assignment of the whole patent; and, 2. That exclusive licenses, which may deed away the principal elements of value in the patent, would not be within the recording statute.

Thus it is plain that the present statute contemplates the division of the patent in any and every way, and that the broad dictum that there are only three kinds of assignments needs revision to add a fourth, the kind now before the court. This instrument has no resemblance whatever to ordinary licenses, since in the case of every license the patentee retains something which in certain contingencies he may enforce by direct suit against the defendant, so that to free the defendant by a complete decree in one case it was necessary to join the legal owner. On this

point it would seem that the unanimous opinion of the four able jurists who passed on this question below ought to be of the greatest weight.

It will not be necessary here to consider the cases one by one, for they will doubtless all be enumerated by petitioner and referred to by the court. The outstanding fact in all of them is that every case which disposed of the three-fold right so as to clear the defendant in one suit, was uniformly held an assignment, while every case in which the patentee held the right under any contingency to bring suit independently, was held a license.

The New Equity Rules.

Equity Rule 37 provides that every action shall be prosecuted in the name of the real party in interest, and this has been held by the Court of Appeals of the Sixth Circuit in *Kardo* v. *Adams,* 231 Federal 950, 958, to bring into the federal equity practice the general rule long prevailing in code states; that is, that the beneficial owner of a chose in action may sue in his own name without joining the legal owner.

There is no question that, on the present pleadings, before the assignment to the plaintiff, the Reed Company had a right of action of substantial value against the defendant and that the Reed Company could sue in its own name and for its own benefit, and could exercise not only its right to damages but also its right to exclude. Its rights in the premises are clearly such as pass to the executor in case of death and are therefor assignable in equity. If the present assignment is for any technical reason invalid as a legal transfer it certainly is an equitable transfer such that the Reed Company is the trustee of its rights against the Crown Company for the plaintiff. Under these circumstances the Reed Company clearly could sue under the old rules and the present plaintiff could join as a party beneficially interested in its recovery. In other words, the situation is clearly one where a suit by the Reed Company for the use of the plaintiff would lie under the old rules.

The new rules abolish such suits and permit the beneficial owner to sue in its own name. It would, therefore, seem to follow that if the assignment is only a declaration of trust, and is totally ineffective as a legal transfer, nevertheless plaintiff may maintain its case.

It is especially to be noted that from time immemorial equity has protected the sale of choses in action even when their validity was seriously questioned on the law side. It is perfectly clear that even at law the patentee may assign all that is recoverable in a law court whether or not the patent be assigned with the rights of action. (*Adams* v. *Hayward*, 12 Fed. Rep. 786.) It being clear therefore that the right to past damages is assignable there seems to be no reason why prospective future damages arising from a continued and continuing infringement of long standing should not also be assignable. And since the courts of equity have created the whole right to assign choses in action and recognized such assignments long before the courts of law, there seems to be no logical or sound reason why the whole present assignment should not be considered as perfectly proper in equity.

Respectfully submitted,

W. H. DYRENFORTH,
RUSSELL WILES,
GEORGE A. CHRITTON,
Counsel for Appellant.

DYRENFORTH, LEE, CHRITTON & WILES,
Solicitors for Appellant.

JANUARY 6, 1923.

"APPENDIX A."

OPINION OF JUDGE CARPENTER.

IN THE

DISTRICT COURT OF THE UNITED STATES,

FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION.

Nye Tool & Machine Works
vs.
Crown Die & Tool Company.
} In Equity No. 1514.

(Reported 270 Fed., 587.)

February 3, 1921.

CARPENTER, J.:

Plaintiff sues for infringement of United States patent No. 1,033,142, and for an accounting.

The right and title of plaintiff in the patent, as shown in the bill, is based upon the following agreement:

> "Whereas, Reed Manufacturing Company, a corporation of Pennsylvania, is the owner of letters patent of the United States No. 1,033,142, for a Machine for Forming Screw-Thread-Cutting Devices, granted July 23, 1912, on an application of Wright and Hubbard; and
>
> "Whereas, under said patent said Reed Manufacturing Company has the right to exclude others from manufacturing, using and selling the devices of said patent; and

"Whereas, it is believed by the parties that Crown Die & Tool Company, a corporation of Illinois, has been manufacturing and using devices in infringement of said patent; and

"Whereas, Nye Tool & Machine Works is engaged in the manufacture of dies with which the dies made by said Crown Die & Tool Company, by the use of said infringing machine, are in competition; and

"Whereas, Nye Tool & Machine Works is desirous of acquiring from Reed Manufacturing Company all of its rights of exclusion under said patent, so far as the same may be exercised against the Crown Die & Tool Company, together with all rights of the Reed Manufacturing Company against the Crown Die & Tool Company arising out of the infringement aforesaid;

"Now, Therefore, in consideration of one thousand dollars ($1000.00) and other good and valuable considerations, the receipt of which is hereby acknowledged, the Reed Manufacturing Company hereby assigns and sets over to the Nye Tool & Machine Works all claims recoverable in law or in equity, whether for damages, profits, savings, or any other kind or description, which the Reed Manufacturing Company has against the Crown Die & Tool Company arising out of the infringement by the Crown Die & Tool Company of the Wright & Hubbard patent No. 1,033,142; and for the same consideration assigns and sets over all the rights which it now has arising from said patent of excluding the Crown Die & Tool Company from the practice of the invention of said patent, the intention being that, in so far as concerns the exclusion of the Crown Die & Tool Company under said patent, the Nye Tool & Machine Works shall be vested with as full rights

in the premises as the Reed Manufacturing Company would have had had this assignment not been made; and that the Nye Tool & Machine Works shall have the full right to bring suit on said patent, either at law or in equity, against said Crown Die & Tool Company, and for its own benefit to exclude the Crown Die & Tool Company from practicing the invention of said patent, and for its own use and benefit to collect damages which may arise by reason of the future infringement of said patent by the Crown Die & Tool Company, but nothing herein contained shall in any way affect or alter the rights of the Reed Manufacturing Company against other than the Crown Die & Tool Company; and for the same consideration, all rights as are herein given against the Crown Die & Tool Company are given as against any successor or assignee of the business thereof.

"REED MANUFACTURING COMPANY,
"By P. D. WRIGHT,
"Its President."

The defendant has moved to dismiss because:

1. The bill charges infringement of a patent in which plaintiff has not title.

2. The owner of the entire or any part of the legal title to the patent sued on is not made a party to the suit.

3. The bill shows on its face that the plaintiff has no interest in the patent sued on.

4. The court is without jurisdiction.

Three other grounds for dismissal are assigned, but relate to matters ouside of the present record.

Plaintiff has acquired every right which the patentee ever had under his patent as against the defendant, and the record does not disclose that plaintiff has received, by license or otherwise, any immunity from suit by the patentee under the patent involved.

An examination and study of a patent grant necessarily leads one to the conclusion that inasmuch as the patentee has the natural right to make, use and sell everything which he makes, the only thing he received by virtue of his patent is the right to exclude others from exercising his natural rights.

The right to exclude, being in reality all that the patentee received from the Government, which he did not have before, it is difficult to perceive why, under Section 4898 of the Revised Statutes, providing that "any patent, or any interest therein, shall be assignable in law by an instrument in writing," the assignment in the instant case does not convey substantial rights upon which action may be based.

The patentee's right to exclude may be subdivided territorially. This has long been settled. If the right to exclude from all of the states west of the Mississippi River is in the patentee, why not the right to exclude in any one state; if in any one state, why not in any one city; if in any one city, why not in any one street; if in any one street, why not in any one building; if in any one building, why not in any office in that building; if in any office, why not any one individual in that office?

It would seem if the statute provides that "any interest" in the patent may be assigned, the mere question of the size of that interest is unimportant.

The real question here involved cannot be lost sight of by even the most careful consideration of cases with reference to exclusive and non-exclusive licenses. There is a vast difference between a mere grant of immunity, —a covenant not to sue,—and the absolute conveyance of a part of the patent. The latter passes title; the former provides merely that the patentee shall exercise his right of exclusion on behalf of the licensee.

I cannot see that any question of public policy is involved. On the argument it was suggested that grants of this nature would lead to innumerable suits. On the other hand there can never be more suits on a patent than there are infringers, and if there are a million infringers having no joint interest in their infringements, separate suits must be maintained against each if they persist in their wrongdoing. The test should be rather from the standpoint of the defendant, and if he can be sued once only for his tort, the law is satisfied.

The defendant in this case would have been liable to suit by Reed Manufacturing Company, and would have been obliged to defend for any infringement. How then can it complain if the Reed Manufacturing Company sells its right to exclude the defendant from using the patented rights? From the defendant's standpoint, it is no better nor worse off than if the original patentee were plaintiff. The patentee has wholly divested itself

of all its rights as to the defendant in this case, and any action between the parties here would be a complete defense to any suit brought by the Reed Manufacturing Company.

Questions of public policy do not seem to militate against such a conveyance. The purpose of the patent is exclusion, and the declared policy seems to permit these exclusive rights to be subdivided and transferred at will. The public is not in the slightest degree interested in whether the plaintiff, to accomplish its lawful purpose of exclusion, bought more of the patent than was needed, or only just enough. Clearly, it does not lie with the infringer to urge matters of public policy as to the method in which his wrongdoing is to be stopped.

The real party in interest has brought the suit. Defendant claims that the owner of the patent is not a party. Such is not the fact. The owner of all the patent rights may not be a party, but the owner of all the patent rights necessary for a determination of this suit is the plaintiff. Equity rule 37 would seem to settle all difficulties on this point.

I am of the opinion that as a matter of law the motion to dismiss should be overruled. There are, however, serious considerations which lead me to a different result in this case.

I have felt that Congress long ago should have invested in the judges of the Federal courts of first instance the power to certify questions of law to the various Courts

of Appeal, in order that serious legal differences between the parties might be settled in advance of a great expenditure of time and money.

Many cases in chancery have gone to a reference before the Master, and prolonged hearings had on the merits, and after final decree the court of review has settled legal issues, which, if known in advance, would have prevented the reference.

In this case it was admitted in the argument that the interest of the plaintiff was acquired for the sole purpose of anticipating a possible adverse decision in a suit on another patent. This was stated openly. The parties understood it. If they know now their legal status in the present case, their course of conduct in the other litigation, so far as these matters are concerned, will be determined. I am very much disinclined, however positive I am in my views as to the motion to dismiss here, to let them go to a final hearing without knowing exactly what their rights are.

For the purpose of enabling the parties to have justice speedily, and without any more purchase than is absolutely necessary, I believe the motion to dismiss should prevail, and it is so ordered.

"APPENDIX B."

Opinion of the Court of Appeals.

IN THE

UNITED STATES CIRCUIT COURT OF APPEALS,

FOR THE SEVENTH CIRCUIT.

No. 2942. October Term, 1920, April Session, 1921.

Nye Tool and Machine Works, *Appellant,*
vs.
Crown Die & Tool Company, *Appellee.*

Error to the District Court of the United States for the Northern District of Illinois, Eastern Division.

(Reported 276 Fed., 376.)

Before Baker, Evans and Page, Circuit Judges:

This is an appeal from a decree dismissing on appellee's motion appellant's bill for alleged infringement of patent No. 1,033,142, July 23, 1912, to Reed Mfg. Co., assignee of the inventors Wright and Howard, for a machine for forming screw thread-cutting devices.

In the bill, commendable for its brevity and directness, appellant alleged: 1, that Wright and Howard made the invention and filed their application, on which the patent was issued to Reed Mfg. Co.; 2, that Reed Mfg. Co., owner of the patent, "prior to the beginning of this suit," by a duly executed assignment in writing (attached to the bill as "Exhibit A") transferred to appellant the right to exclude appellee from practicing the invention and the right to recover all claims in law or in equity arising out of appellee's infringement of the patent; 3, that the devices of the patent, made by Reed Mfg. Co.,

and by appellant, have been duly marked "Patented, July 23, 1912"; 4, that appellee has infringed the patent within the six years last past by making, using and selling devices containing the inventions claimed therein, that appellee had been notified of the infringement and that the infringement has damaged appellant and profited appellee; and prayed for an injunction and an accounting of appellee's profits and appellant's damages.

"Exhibit A" is as follows:

"Whereas, Reed Manufacturing Company, a corporation of Pennsylvania, is the owner of Letters Patent of the United States, No. 1,033,142, for a Machine for Forming Screw-Thread Cutting Devices, granted July 23, 1912, on an application of Wright and Hubbard; and

"Whereas, under said patent said Reed Manufacturing Company has the right to exclude others from manufacturing, using and selling the devices of said patent; and

"Whereas, it is believed by the parties that Crown Die & Tool Company, a corporation of Illinois, has been manufacturing and using devices in infringement of said patent; and

"Whereas, Nye Tool & Machine Works is engaged in the manufacture of dies with which the dies made by said Crown Die & Tool Company, by the use of said infringing machine, are in competition; and

"Whereas, Nye Tool & Machine Works is desirous of acquiring from Reed Manufacturing Company all of its rights of exclusion under said patent, so far as the same may be exercised against the Crown Die & Tool Company, together with all rights of the Reed Manufacturing Company against the Crown Die & Tool Company arising out of the infringement aforesaid;

"Now, Therefore, in consideration of one thousand dollars ($1,000.00), and other good and valuable considerations, the receipt of which is hereby acknowledged, the Reed Manufacturing Company hereby assigns and sets over to the Nye Tool & Ma-

chine Works all claims recoverable in law or in equity, whether for damages, profits, savings, or any other kind or description, which the Reed Manufacturing Company has against the Crown Die & Tool Company arising out of the infringement by the Crown Die & Tool Company of the Wright & Hubbard patent No. 1,033,142; and, for the same consideration, assigns and sets over all the rights which it now has arising from said patent of excluding the Crown Die & Tool Company from the practice of the invention of said patent, the intention being that, in so far as concerns the exclusion of the Crown Die & Tool Company under said patent, the Nye Tool & Machine Works shall be vested with as full rights in the premises as the Reed Manufacturing Company would have had had this assignment not been made; and that the Nye Tool & Machine Works shall have the full right to bring suit on said patent, either at law or in equity against said Crown Die & Tool Company, and for its own benefit, to exclude the Crown Die & Tool Company from practicing the invention of said patent, and for its own use and benefit to collect damages which may arise by reason of the future infringement of said patent by the Crown Die & Tool Company, but nothing herein contained shall in any way effect or alter the rights of the Reed Manufacturing Company against other than the Crown Die & Tool Company; and, for the same consideration, all rights as are herein given against the Crown Die & Tool Company are given as against any successor or assignee of the business thereof."

Appellee's motion to dismiss the bill for want of equity apparent on its face, in addition to challenging appellant's title and right to sue, suggests laches, conspiracy, and pendency of a prior suit, and also denies jurisdiction in equity over damages "recoverable at law."

BAKER, Circuit Judge, after making the foregoing statement, delivered the opinion of the court:

Nothing of laches, conspiracy or pendency of a prior suit is stated in the bill. If such matters exist, they must

be brought into the record by appellee's answer. In the statement of the case we have synopsized the bill in order to show that a good cause of action in equity is pleaded unless there is a lack in appellant's right to sue or in the trial court's equitable jurisdiction.

An inventor is not compelled by law to apply for and take out a patent. If he has produced a new composition of matter of such a nature that the ingredients and the process are safe from discovery by others either by observing his use of his invention or by independent investigation and experiment, he would have a much more enduring monopoly by refusing to make the "full disclosure" that our patent statute invites. Such is his natural or common law right. It is only when he fears discovery and resultant injury from the exercise by others of their natural or common law right to copy his unpatented invention that he seeks the patent solicitor. So it is clear to a demonstration that the natural or common law right and the statutory right are separate and independent. Neither impinges upon the other. Whether an inventor exercises or refuses to exercise his natural or common law right has nothing to do with his assertion of his statutory right, which consists exclusively of his power, through the courts, to restrain others from practicing his invention and to call them to account for having done so in defiance of his monopoly. This view of our patent system is not a present invention, for long ago it was fully disclosed and distinctly claimed in open letters to the public. *Bloomer* v. *McQuewan*, 14 How. 539; *Patterson* v. *Kentucky*, 97 U. S. 501; *Fuller* v. *Berger*, 120 Fed. 274; *Continental Paper Bag Co.* v. *Eastern Paper Bag Co.*, 210 U. S. 405.

Appellee's argument that a monopoly of this character is contrary to public policy is somewhat belated in view of the Constitution and acts of Congress.

Congress, having full constitutional power over the subject, could have provided that a patent should be non-assignable, or, if assignable, that it should be assigned only as an entirety. But Sec. 4898 R. S. says that "any patent, or any interest therein, shall be assignable in law by an instrument in writing." It would be hard to find broader or clearer words than "any interest therein" with which to clothe the owner of a patent with the right to subdivide and deed or lease his property as he pleased.

As "the right to exclude" is the only property involved, and as that property is made divisible and assignable at the will of the owner, and as the owner had duly assigned to appellant the whole of the right to exclude appellee, it is difficult to understand why appellee should feel concerned about appellant's lack of right to exclude strangers to this suit. If appellant had the right to exclude all the strangers in the world, appellee might as well contend that appellant, having good and complete title to the patentee's right to exclude appellee, should not be permitted to enforce the right because appellant was ignoring all other trespassers and was picking out appellee alone.

Jurisdiction in equity to enjoin trespasses upon property is unquestionable. When that equitable jurisdiction is invoked, the chancellor will hear and determine in the same suit the matter of damages that accrued from the trespasses during the plaintiff's ownership of the property and within the period of limitations. If such damages alone were sought, the action would be at law; but because such damages grew out of the ownership that is to be vindicated by the injunction, the demand therefor, although legal in its nature, is treated as a proper appendage of the bill in equity. Appellant's bill alleges

that it acquired ownership of the right to exclude appellee "prior to the beginning of this suit," but without stating the date either in the body of the bill or in the exhibit. Appellee's alleged infringement covered six years prior to the filing of the bill. Some of that period may antedate appellant's ownership. Reed Mfg. Co. included in its assignment of an interest in the patent to appellant an assignment of its claims for damages during its exclusive ownership. Damages that are incidental to appellant's ownership are properly included in the bill. But if appellant desires to recover on the assignment of Reed Mfg. Co.'s right of action at law for the damages suffered by that company, it should proceed at law upon that separate legal cause of action.

The decree is reversed for further proceedings in consonance with this opinion.

CROWN DIE & TOOL COMPANY *v.* NYE TOOL & MACHINE WORKS.

CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

No. 240. Argued January 17, 18, 1923.—Decided February 19, 1923.

1. A suit based on an alleged assignment of a patent right, involving the validity of the assignment under the patent laws, is within the jurisdiction of the District Court as a suit arising under those laws. P. 33.
2. The mere right to exclude others from making, using or vending a patented invention is not such an interest as may be assigned under the patent laws, and an attempted transfer thereof as against a particular person with right to enjoin his future infringements and collect damages therefor, is void. Pp. 35, 39.
3. An assignment by a patent-owner, not conveying any interest in the patent itself but only a claim for past damages against infringers, does not confer upon the assignee a right to sue for such damages in his own name without joining his assignor, who must also have been the owner of the patent when the infringements were committed. P. 39.
4. The effect of such an assignment depends upon the patent law, unaffected by Equity Rule 37 providing that suits shall be prosecuted in the name of the real party in interest. P. 44.

276 Fed. 376, reversed.

This was a bill in equity filed in the United States District Court for the Northern District of Illinois by the Nye Tool and Machine Works, a corporation of Illinois, having its place of business in Chicago, against the Crown Die

and Tool Company, a corporation of the same State and doing business in the same city. The plaintiff sought to enjoin the infringement of a patent for a machine for forming screw thread-cutting devices, and for an accounting of profits and for damages. The inventors were Wright and Hubbard, and the patent issued to their assignee, the Reed Manufacturing Company of Pennsylvania.

The plaintiff based its right to sue on the following instrument which it terms an assignment:

EXHIBIT A.

Whereas, Reed Manufacturing Company, a corporation of Pennsylvania, is the owner of Letters Patent of the United States, No. 1,033,142, for a Machine for Forming Screw-Thread Cutting Devices, granted July 23, 1912, on an application of Wright and Hubbard; and

Whereas, under said patent said Reed Manufacturing Company has the right to exclude others from manufacturing, using and selling the devices of said patent; and

Whereas, it is believed by the parties that Crown Die & Tool Company, a corporation of Illinois, has been manufacturing and using devices in infringement of said patent; and

Whereas, Nye Tool & Machine Works is engaged in the manufacture of dies with which the dies made by said Crown Die & Tool Company, by the use of said infringing machine, are in competition; and

Whereas, Nye Tool & Machine Works is desirous of acquiring from Reed Manufacturing Company all of its rights of exclusion under said patent, so far as the same may be exercised against the Crown Die & Tool Company, together with all rights of the Reed Manufacturing Company against the Crown Die & Tool Company arising out of the infringement aforesaid:

Now, Therefore, in consideration of one thousand dollars ($1,000.00), and other good and valuable considerations, the receipt of which is hereby acknowledged, the Reed Manufacturing Company hereby assigns and sets over to the Nye Tool & Machine Works all claims recoverable in law or in equity, whether for damages, profits, savings, or any other kind or description, which the Reed Manufacturing Company has against the Crown Die & Tool Company arising out of the infringement by the Crown Die & Tool Company of the Wright & Hubbard patent No. 1,033,142; and, for the same consideration, assigns and sets over all the rights which it now has arising from said patent of excluding the Crown Die & Tool Company from the practice of the invention of said patent, the intention being that, in so far as concerns the exclusion of the Crown Die & Tool Company under said patent, the Nye Tool & Machine Works shall be vested with as full rights in the premises as the Reed Manufacturing Company would have had had this assignment not been made; and that the Nye Tool & Machine Works shall have the full right to bring suit on said patent, either at law or in equity against said Crown Die & Tool Company, and for its own benefit, to exclude the Crown Die & Tool Company from practicing the invention of said patent, and for its own use and benefit to collect damages which may arise by reason of the future infringement of said patent by the Crown Die & Tool Company, but nothing herein contained shall in any way affect or alter the rights of the Reed Manufacturing Company against other than the Crown Die & Tool Company; and, for the same consideration, all rights as are herein given against the Crown Tool & Die Company are given as against any successor or assignee of the business thereof.

REED MANUFACTURING COMPANY,
By P. D. Wright,
Its President.

The defendant moved to dismiss the bill as follows:

Now comes the defendant, Crown Die and Tool Company, by its solicitor, and moves the Court to dismiss the Bill of Complaint instituted in the above entitled cause upon grounds and reasons therefor as follows—

1. That the Bill of Complaint states an alleged cause of action arising out of the assumed infringement of a patent in which plaintiff has no title, and prays an injunction, and accounting and damages.

2. That the owner of the entire or any part of the legal title to the patent sued on is not made a party to the suit.

3. That the legal effect of the alleged assignment set up as the basis of this cause of action and forming part of the Bill of Complaint herein is contrary to the statutes covering suits for infringement of patents, and shows on its face that the plaintiff has no interest in the patent sued on.

4. That the Bill of Complaint herein, including the alleged assignment, evidences a conspiracy against this defendant by the parties to the document identified as "Exhibit A," in which the plaintiff and the Reed Mfg. Company assumed the function of the Court in having already decreed that this defendant infringes Patent No. 1,033,142, and now seeks to utilize this Court to annoy and harass the Crown Die and Tool Company by instituting legal proceedings when no right of action exists.

5. That "Exhibit A" attached to the Bill of Complaint in this case purports only to convey to plaintiff all claims recoverable in law or in equity which the Reed Mfg. Co. may have against the Crown Die and Tool Co., over which subject matter this Court has no jurisdiction.

6. Prior suit pending, between the same parties in this Court, decision of which will determine any questions involved in this case.

Therefore this defendant respectfully moves the Court to dismiss said Bill of Complaint with its reasonable costs and charges in its behalf most wrongfully sustained.

CROWN DIE & TOOL CO.,
By FLORENCE KING,
Solicitor for Defendant.

The District Judge in the interest of expedition granted the motion to dismiss in order that the main question, i. e., the plaintiff's right to sue, might be determined by the Circuit Court of Appeals before the expense of an accounting should be incurred, although he thought the plaintiff had acquired the right under the instrument. 270 Fed. 587. The Circuit Court of Appeals reversed the decree of dismissal, holding the instrument to be a valid assignment of an interest in the patent conferring the right to sue and remanded the cause to the District Court for an accounting and further proceedings. 276 Fed. 376.

Although the decree of the Circuit Court of Appeals is not final, the importance of the question involved and the possible saving of useless litigation led this Court to grant the writ of certiorari before further proceedings in the District Court.

Florence King for petitioner.

Mr. Russell Wiles, with whom *Mr. W. H. Dyrenforth* and *Mr. George A. Chritton* were on the brief, for respondent.

The entry of decrees, professedly contrary to the judicial judgment of the Chancellor and for the sole purpose of permitting an appeal not otherwise authorized, is entirely subversive of the statutes relative to appeals and is open to even more severe criticism than that of entering *pro forma* decrees. *Ex parte Harley-Davidson Motor Co.,* 259 U. S. 414.

All that a patentee can acquire from the Government is the right to exclude others. *Bloomer* v. *McQuewan,* 14

How. 539, 548; *Patterson* v. *Kentucky,* 97 U. S. 501; *Fuller* v. *Berger,* 120 Fed. 274; *Continental Paper Bag Co.* v. *Eastern Paper Bag Co.,* 210 U. S. 405. It would seem to follow that an assignee could buy nothing more, and should be required to buy nothing more, in order to maintain a suit. Only recently, in *United Shoe Machinery Corp.* v. *United States,* 258 U. S. 451, this Court reasserted the proposition that the patent grant is nothing but the right to exclude.

The suggestion that the natural right to make, use and vend, or some part of it, and the right to exclude must coexist in the plaintiff before suit can be brought, is clearly unsound both on principle and precedent. In *Patterson* v. *Kentucky, supra,* the natural right was extinguished by the state law while the patentee was recognized as being vested with the patent monopoly which it remained the duty of the courts to preserve and protect. Today there are hundreds, if not thousands, of existing patents upon processes for the manufacture of alcoholic liquors. The natural right of each patentee has been extinguished by the Eighteenth Amendment and the statutes enacted thereunder, yet it is manifest that each patentee could maintain suit against an infringer and would in no sense be deprived of his patent rights because the infringer is a law breaker.

A common case of the complete separation of the natural right from the right to exclude is that created when a patentee grants to some one else the exclusive right to make, use and sell with such limitations as to leave the legal title in the patentee. In such a case (under the old rules) the licensee might sue in the name of the licensor to protect his own interest, but the licensor could sue alone to recover his damages. He may have a substantial interest in the recovery and in excluding unlicensed manufacture because infringing competition with the licensee cuts down the licensor's royalties. His rights as a liti-

gant are clearly sustained in *Kaiser* v. *General Phonograph Supply Co.*, 171 Fed. 432, in which case, however, the licensee was also a party.

It is equally apparent that the grantee of a territorial interest may sue for infringement committed within his territory, even though for other reasons, physical or legal, it is impossible for him to exercise his natural right.

The most common case of the separation of the patent and natural rights is where the structure of the patent in suit is dominated by some other and broader patent. The broader patent may be older or younger or of the same date with the narrower patent. In either case, for the whole life of the broader patent, and this may be the whole life of the narrower patent as well, the patentee of the narrower patent has no natural right to make, use or sell the structure of his own patent. Any suggestion that the plaintiff in a patent suit must have the natural right to make, use and sell in addition to the patent right would create an entirely new defense to patent cases, would make it impossible for the owner of the narrower patent to sue with a broad patent in force, and would immensely complicate patent litigation.

The exclusive right and the natural right flow from different sources, are of different kinds and need not coexist. It is impossible to maintain any clean-cut line of patent law unless we totally divorce the two rights, and, in discussing the patent right, assume that the natural right is immaterial. It may be non-existent or suspended; exercised, not exercised, or even misused, and the status of the plaintiff will be the same.

This would seem to be necessary on principle, since the patentee who gets from the Government only the right to exclude would be in a sad position were his franchise to be extinguished with changing conditions affecting a natural right concerning which the Federal Government is entirely uninterested and over which it has no control.

The natural right, in the main, is a creature of state laws and it must be disregarded from every aspect in considering the franchise granted by the Federal Government.

Having thus established the nature of the franchise granted by the patent, it would seem that under § 4898, Rev. Stats., providing that any patent or any interest therein shall be assignable in law by an instrument in writing, the patentee would have a right to split his right to exclusion along any lines he chooses.

The Reed Manufacturing Company had the right to exclude the Crown Company and the right to collect past and future damages and profits. It certainly had the right to sell its claim for past damages. Why it should not sell the right to future damages, if any, we do not see. In a case of a continuing trespass the owner of the chose theoretically ought to be able to sell not only his past but his future claims. But what has become of the Reed Company's right to exclude defendant? It has not been extinguished and it rests either with the Reed Company or with the plaintiff. The Reed Company has tried to sell it, has taken good money for it, and is in no position as between the parties ever to assert that it owns this right. If it has carried out its purpose, then the plaintiff has all the title necessary to maintain this suit. If not, a *bona fide* sale of a valuable right is to be prohibited at the instance of a wrongdoer totally unaffected by it and contrary to the desires of both the parties interested.

This matter does not concern either the public or the defendant because, whoever owns the patent, defendant has no right to infringe and at some time (to some one) should account.

The general rule, of course, is that all choses are assignable which would not abate at death but would fall to the estate. Expectancies even are assignable in equity, and certainly there is such expectation that an infringer will continue as to justify an assignment of future damages.

The suggestion that assignments like this would lead to a multiplicity of suits is without weight. There can never be more suits on a patent than there are infringers. A judgment in this suit for the defendant would be *res judicata*.

The outstanding requirement of public policy is that infringement shall not exist and that infringers shall not keep their profits. Public policy is not affected by nice questions of title.

The true distinction between licenses and interests in a patent is this: The patent grants a threefold right to exclude from manufacture, from use, and from sale. All instruments which have conveyed the threefold right in the whole invention have been held transfers of an interest, while those conveying only one or two of these rights, or all of them in only some species of the patented invention, have been held licenses. Fundamentally, we believe the effort has been to prevent the possibility of two suits on the same patent against a single infringer, one by the owner of a part of the power of exclusion, and the other by the owner of the remainder. This distinction runs through all the cases.

This and other courts have repeatedly stated, *arguendo*, that there are only three kinds of assignments of interests, i. e., assignments of the entire interest, assignments of an undivided interest, and assignments of a territorial interest, and that everything else is a license. The assertion, however, that there are only three kinds of assignments is *dictum*, for the real question before the court in each case is whether a particular instrument was a license and in every case the license lacked what is here present, a complete conveyance to the plaintiff of every right under the patent which was or could be litigated in any suit by a particular defendant.

The situation is clearly one where a suit by the Reed Company for the use of the plaintiff would lie under the

old Equity Rules. The new rules abolish such suits and permit the beneficial owner to sue in its own name. It would, therefore, seem to follow that if the assignment is only a declaration of trust, and is totally ineffective as a legal transfer, nevertheless plaintiff may maintain its case.

It is especially to be noted that from time immemorial equity has protected the sale of choses in action even when their validity was seriously questioned on the law side.

MR. CHIEF JUSTICE TAFT, after stating the case as above, delivered the opinion of the Court.

The petitioner raises a question of jurisdiction. It says that the suit does not arise under the patent laws of the United States, but is merely a suit on a contract like one for royalties under a license of which the District Court could not have jurisdiction because the parties are both citizens of the same State. To sustain this argument are cited *Albright* v. *Teas*, 106 U. S. 613; *Pratt* v. *Paris Gas Light Co.*, 168 U. S. 255, and *Excelsior Wooden Pipe Co.* v. *Pacific Bridge Co.*, 185 U. S. 282. The cases have no application and the point is without merit. The bill in this case is based on an assignment of a patent claimed to be valid under the statutes of the United States, and asking the protection of the patent right thus assigned by injunction and an accounting. It, therefore, involves the validity of the assignment of a patent, which is a question arising under the patent laws because it depends upon their construction, and if the assignment is valid, the suit is just an ordinary suit for injunction and profits dependent on the validity of the patent and its infringement under those same laws. There is no question of royalties by contract in the case.

The main question is an interesting one. The argument of counsel for the respondent and the one upon which the Circuit Court of Appeals proceeded to its con-

clusion is that the right which the patentee derives from the Government by its grant is not the right to make, use and vend; that such a right is a so-called natural right not dependent on statute but arises under the common law and has no peculiar federal source or protection other than any other right of liberty or property. All that the Government grants and protects is the power to exclude others from making, using, or vending during the grant of seventeen years. Under the patent law, § 4898 Rev. Stats., a patentee may assign by an instrument in writing his patent or any interest therein. It is argued that as the patent is only the power to exclude all from making, using and vending, the power to exclude some particular person from doing so is a part of that power of exactly the same nature, and therefore is a definite interest in the patent that can be assigned.

The analysis of the rights which a patentee acquires under the grant is sustained by a line of authorities. *Bloomer* v. *McQuewan*, 14 How. 539, 548; *Patterson* v. *Kentucky*, 97 U. S. 501; *United States* v. *American Bell Telephone Co.*, 167 U. S. 224, 249; *Bement* v. *National Harrow Co.*, 186 U. S. 70, 90; *Continental Paper Bag Co.* v. *Eastern Paper Bag Co.*, 210 U. S. 405; *Heaton-Peninsular Co.* v. *Eureka Specialty Co.*, 77 Fed. 288, 294; *Fuller* v. *Berger*, 120 Fed. 274. The fullest and most satisfactory discussion of the subject is found in *Continental Paper Bag Co.* v. *Eastern Paper Bag Co.*, *supra*. In that case it was sought to defeat a suit by a patent-owner for infringement of a patent on the ground that he was not entitled to ask a court of equity to aid him in protecting the grant of the patent to him by the Government, because he had failed and neglected ever to use the patent himself or to allow anybody else to do so and therefore had not rendered to the public the benefit and consideration for which the patent was granted. This Court held that the benefit which the Government intended to secure was not the

making or use of the patent for the benefit of the public during the seventeen years of the grant except as the patentee might voluntarily confer it from motives of gain, but only the benefit of its public use after the grant expired. The Court held that the Government did not confer on the patentee the right himself to make, use or vend his own invention, that such right was a right under the common law not arising under the federal patent laws and not within the grant of power to Congress to enact such laws, and that in the absence of the express statutory imposition upon the patentee of the obligation to make, use or vend his patented invention as a condition of receiving his patent, it would not be implied. The Court further held that in its essence all that the Government conferred by the patent was the right to exclude others from making, using or vending his invention.

We do not think, however, that these clearly established principles sustain the next step in the reasoning of the counsel for the respondent and the Circuit Court of Appeals, which is that they make the mere right to exclude persons from the making, using and vending of an invention such an interest in a patent that it can be assigned. It ignores the indispensable condition of the granting and establishment of a patent right and patent property that the patentee shall have himself the common law right of making, using and vending the invention. The sole reason and purpose of the constitutional grant to Congress to enact patent laws is to promote the progress of science and useful arts by securing for limited times to inventors the exclusive right to their respective discoveries. Article I, § 8, clause 8. In pursuance thereof, § 4886, Rev. Stats., as amended, 29 Stat. 692, provides that any person who has invented or discovered any new and useful art, machine, manufacture or composition of matter or any new or useful improvements thereof, upon certain conditions not important here, may obtain a pat-

ent therefor. Section 4884, Rev. Stats., directs that the grant of a patent shall be to the patentee, his heirs or assigns, for the term of seventeen years, of the exclusive right to make, use and vend the invention or discovery throughout the United States. An inventor may in writing assign his invention and the right to a patent before the patent is granted, and under § 4895, Rev. Stats., a patent will issue to the assignee. Can it be claimed that an assignment of the right to exclude all from making, using and vending and excepting therefrom the right to make, use and vend in the assignee, would be such an assignment as would justify the Patent Office in issuing the patent under the statute to the assignee? Yet if all that there is in a patent property is the bare right to exclude others from making, using or vending some thing, the patent should issue in such a case.

The error in the position of the respondent and the court below is in a failure to distinguish between the property or title or interest in a patent capable of assignment and the chief incident of that property, title or interest, an incident which can only pass by assignment when attached to the right to make, use and vend. It is the fact that the patentee has invented or discovered something useful and thus has the common law right to make, use and vend it himself which induces the Government to clothe him with power to exclude everyone else from making, using or vending it. In other words, the patent confers on such common law right the incident of exclusive enjoyment and it is the common law right with this incident which a patentee or an assignee must have. That is the implication of the descriptive words of the grant "the exclusive right to make, use and vend the invention." The Government is not granting the common law right to make, use and vend, but it is granting the incident of exclusive ownership of that common law right, which can not be enjoyed save with the common law right.

A patent confers a monopoly. So this Court has decided in the *Paper Bag Case, supra,* and in many other cases. The idea of monopoly held by one in making, using and vending connotes the right in him to do that thing from which he excludes others.

Dealing with the question of patent assignments under the laws of the United States, Mr. Justice Gray, in *Waterman* v. *Mackenzie,* 138 U. S. 252, 255, said:

"The monopoly thus granted is one entire thing, and cannot be divided into parts, except as authorized by those laws. The patentee or his assigns may, by instrument in writing, assign, grant and convey, either, 1st, the whole patent, comprising the exclusive right to make, use and vend the invention throughout the United States; or, 2d, an undivided part or share of that exclusive right; or, 3d, the exclusive right under the patent within and throughout a specified part of the United States, Rev. Stat. § 4898. A transfer of either of these three kinds of interests is an assignment, properly speaking, and vests in the assignee a title in so much of the patent itself, with a right to sue infringers; in the second case, jointly with the assignor; in the first and third cases, in the name of the assignee alone. Any assignment or transfer, short of one of these, is a mere license, giving the licensee no title in the patent, and no right to sue at law in his own name for an infringement. Rev. Stat. § 4919; *Gayler* v. *Wilder,* 10 How. 477, 494, 495; *Moore* v. *Marsh,* 7 Wall. 515."

The learned Justice then proceeds (page 256) to give examples of what would and would not constitute an assignment. A grant of an exclusive right to make, use and vend two patented machines within a certain district, he points out, citing *Wilson* v. *Rousseau,* 4 How. 646, 686, is an assignment because the right, although limited to making, using and vending two machines, excludes all other persons, even the patentee, from making, using or

vending like machines within the district. "On the other hand", he says, "the grant of an exclusive right under the patent within a certain district, which does not include the right to make, and the right to use, and the right to sell, is not a grant of a title in the whole patent right within the district, and is therefore only a license."

In *Gayler* v. *Wilder*, 10 How. 477, it was held that the grant of an exclusive right to make and vend an article within a certain territory upon paying to the assignor a cent per pound, reserving to the assignor the right to use and manufacture the article by paying the assignee a cent per pound, was only a license and that a suit for the infringement of the patent right must be brought in the name of the assignor. The effect of the opinion in that case is that the monopoly granted the patentee is for one entire thing and in order to enable an assignee to sue he must have received the entire and unqualified monopoly in the territory specified. Chief Justice Taney's reason for this (p. 494) is useful in this case. "For", said he, "it was obviously not the intention of the legislature to permit several monopolies to be made out of one, and divided among different persons within the same limits. Such a division would inevitably lead to fraudulent impositions upon persons who desired to purchase the use of the improvement, and would subject a party who, under a mistake as to his rights, used the invention without authority, to be harassed by a multiplicity of suits instead of one, and to successive recoveries of damages by different persons holding different portions of the patent right in the same place." See also *Pope Manufacturing Co.* v. *Gormully & Jeffery Manufacturing Co.*, 144 U. S. 238, 250.

These cases do not present the same facts as the one before us; but they indicate clearly what view the courts deciding them would have taken of an effort like that in the case at bar to divide up the monopoly of patent prop-

erty so that the patentee retains the right to make, use and vend, but gives to many different individuals the right to sue certain named infringers, respectively, and that with the sole motive of harassing them such as is avowed in the recitals of the instrument before us. If held legal, it would give the patentee an opportunity without expense to himself to stir up litigation by third persons that is certainly contrary to the purpose and spirit of the statutory provisions for the assigning of patents.

Nor do we think that the principle of *Patterson* v. *Kentucky*, 97 U. S. 501, or the instance of a patent for an improvement on a machine, patent for which is held by another, involves anything inconsistent with our conclusion that the right to exclude others conferred in a patent can only be conferred upon one who has the common law right to use, make and vend. In *Patterson* v. *Kentucky*, the patentee had the common law right to make, use and vend, but the State of Kentucky exercising her lawful police power restricted him in it. In the case of the patentee for improvement on a patented machine, the patentee has the right to make, use and vend the improvement, but he cannot make it profitable or useful unless he can secure the right to put it on to another machine.

For the reasons given, we think the attempted assignment in this case carried no part of the title to the patent or interest in it and therefore conferred no right to sue for damages for infringement of the patent after the execution of the instrument.

The remaining question is whether the instrument relied on by the plaintiff below gave it the right to sue in its own name in this case for damages for past infringements. We think not.

The plaintiff below could not bring such a suit for past infringements without joining with it the owner of the

patent when the infringements were committed. It is said that the claim of an owner of a patent for damages for infringements is only a chose in action which in modern days may be so assigned that the assignee acquires full title and the right to sue at law as well as in equity without joining his assignor. This view ignores the peculiar character of patent property and the recognized rules for the transfer of its ownership and its incidents. Patent property is the creature of statute law and its incidents are equally so and depend upon the construction to be given to the statutes creating it and them, in view of the policy of Congress in their enactment. This is shown by the opinion of this Court in *Waterman* v. *Mackenzie*, 138 U. S. 252, already cited, and in the line of authorities followed therein. It is not safe, therefore, in dealing with a transfer of rights under the patent law, to follow implicitly the rules governing a transfer of rights in a chose in action at common law. As Chief Justice Taney said in *Gayler* v. *Wilder*, 10 How. 477, 494:

"The monopoly did not exist at common law, and the rights, therefore, which may be exercised under it cannot be regulated by the rules of the common law. It is created by the act of Congress; and no rights can be acquired in it unless authorized by statute, and in the manner the statute prescribes."

The law as to who should bring a suit at law for damages by infringement of a patent is clearly and correctly stated in III Robinson on Patents, § 937, as follows:

"With a single exception the plaintiff in an action at law must be the person or persons in whom the legal title to the patent resided at the time of the infringement. An infringement is an invasion of the monopoly created by the patent, and the law which defines and authorizes this monopoly confers only upon its legal owners the right to institute proceedings for its violation. These owners are the patentee, his assignee, his grantee, or his

personal representatives; and none but these are able to maintain an action for infringement in a court of law. Moreover, the injury inflicted by an act of infringement falls upon the individual who owns the monopoly at the date of the infringement. It does not affect former owners whose interest had terminated before the infringement was committed, nor does it so directly prejudice a future owner that the law can recognize his loss and give him a pecuniary redress. Hence the plaintiff must not only have a legal title to the patent, but must have also been its owner at the time of the infringement. The exception above referred to arises where an assignment of a patent is coupled with an assignment of a right of action for past infringements. In this case the present owner of the monopoly may institute proceedings for its violation during the ownership of his assignor as well as for infringements committed since the transfer of the title to himself."

In *Moore* v. *Marsh*, 7 Wall. 515, the question was whether a sale and assignment by a patentee of his patent right was, under the fourteenth section of the Patent Act of 1836, c. 357, 5 Stat. 117, 123, now embodied in § 4919 of the Revised Statutes, a bar to an action by him to recover damages for an infringement committed before such sale and transfer. The section provided:

"And such damages may be recovered by action on the case, in any court of competent jurisdiction, to be brought in the name or names of the person or persons interested, whether as patentees, assignees, or as grantees of the exclusive right within and throughout a specified part of the United States."

The neat issue in that case was whether "the name or names of the person or persons interested" meant the person interested when the infringement took place or when the suit was brought. The Court held that it meant the person who was patentee, assignee, or grantee when

the infringement occurred and the cause of action accrued. The Court held, therefore, that the proper plaintiff in a suit for past infringements was not the present owner of the patent, and that he did not acquire the right to bring suits for prior infringements merely by the conveyance of the full title to the patent and its enjoyment. This case was followed by that of *Gordon* v. *Anthony*, on the Circuit, reported in 16 Blatchf. 234; s. c. 10 Fed. Cas. 773, No. 5,605. The decision was by Blatchford, Circuit Judge of the Second Circuit, who had been district judge and who subsequently became a Justice of this Court and had great experience in the administration of the patent law.

The question before him was whether the vendee and assignee of a receiver appointed by a state court of New York in proceedings supplementary to execution on a judgment against a debtor whose assets included a patent right and who was directed by the court to convey the same to the receiver but did not do so, could sue for damages for infringement of the patent occurring before the receivership. After saying that under the law of 1836 and under the Revised Statutes in which the sections of that law were embodied, no one could bring a suit either at law or in equity for infringement of a patent in his own name alone unless he were patentee, assignee, or grantee, the Judge continues:

"A claim to recover profits or damages for past infringement can not be severed from the title by assignment or grant, so as to give a right of action for such claim, in disregard of the statute. The profits or damages for infringement cannot be sued for except on the basis of title as patentee, or as such assignee or grantee, to the whole or a part of the patent, and not on the basis merely of the assignment of a right to a claim for profits and damages, severed from such title. Therefore, if, in the present case, no such assignment or grant has been made to the de-

fendants as the statute contemplates, they could not bring suit, in their own names, under the assignment made to them, to recover any claims, profits or damages for infringement, which belonged to Gordon, [i. e., the patentee], nor can they use the assignment as a defence against any such claims existing against themselves in favor of Gordon. In this case there has been no assignment executed by Gordon."

See also *Ball* v. *Coker*, 168 Fed. 304, 307. Counsel for plaintiff cites *Hayward* v. *Andrews*, 12 Fed. 786, to maintain the contrary and to sustain the right of the assignee of claims for past infringements to maintain suit. The case cited is not in point, the assignee in that case held the legal title to the patent.

The sole exception to the rule that only he who is the owner of the patent at the time of the infringement can sue for damages, to which Professor Robinson refers, is when such owner assigns the patent and also the claim for past infringements to the same person. In such a case, as the title and ownership of the claims are united, it is held that the owner may sue. *Dibble* v. *Augur*, 7 Blatchf. 86; 7 Fed. Cas. 642, No. 3,879; *Hamilton* v. *Rollins*, 5 Dill. 495; 11 Fed. Cas. 364, No. 5,988; *Henry* v. *Francestown Soap-Stone Stove Co.*, 2 Ban. & A. 221; 11 Fed. Cas. 1,180, No. 6,382; *Consolidated Oil Well Packer Co.* v. *Eaton, Cole & Burnham Co.*, 12 Fed. 865, 870; *Spring* v. *Domestic Sewing-Machine Co.*, 13 Fed. 446, 449; *Nellis* v. *Pennock Mfg. Co.*, 38 Fed. 379. Under this exception, therefore, if the instrument here relied on had been effective to make the plaintiff an assignee or grantee of the patent or "of any interest therein" within the meaning of § 4898, Rev. Stats., as amended, then the plaintiff could have maintained this action for damages for infringements prior to the execution of the instrument; but, as we hold, the instrument did not have this effect.

But it is urged that under Equity Rule 37 every action

must be prosecuted in the name of the real party in interest, and, therefore, as the plaintiff is the beneficial owner of the claims for past infringements, it should be permitted to sue in a court of equity. The equity rule was not intended to set aside a policy and rule having its source in the patent statutes and can not affect this case. The rule laid down by Circuit Judge Blatchford in *Gordon* v. *Anthony, supra,* applied to both actions in equity and law and grew out of the sections of statutes quoted by him and not since amended. Both at law and in equity, either the owner of the patent at the time of the past infringement, or the subsequent owner of the patent who is at the same time the assignee of the claims for past infringement, must be a party to a suit for damages for the past infringement. If the owner of the patent when the infringements took place has assigned his patent to one, and his claims for damages for infringement to another, then the latter can not sue at law at all but must compel his assignor of the claims to sue for him. In equity both such assignor and the assignee who is the real party in interest must join as plaintiffs. Such assignor is a necessary party and a bill for accounting and damages is fatally defective otherwise. III Robinson on Patents, § 1099; *Dibble* v. *Augur,* 7 Blatchf. 86; 7 Fed. Cas. 642, No. 3,879; *Gamewell Fire-Alarm Telegraph Co.* v. *City of Brooklyn,* 14 Fed. 255; *Ball* v. *Coker,* 168 Fed. 304. As the owner of the patent is not a party to this bill, the result is that on no ground can the bill of the plaintiff be sustained and that the motion to dismiss should have been granted.

The decree of the Circuit Court of Appeals is reversed and that of the District Court is affirmed.